

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, 2022**

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-38037

**SAFE & GREEN HOLDINGS CORP.**  
(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**95-4463937**

(I.R.S. Employer  
Identification No.)

**990 Biscayne Blvd., #501, Office 12, Miami, Florida**

(Address of principal executive offices)

**33132**

(Zip Code)

**(646)240-4235**

(Registrant's telephone number, including area code)

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

<b>Title of each class</b>	<b>Trading Symbol(s)</b>	<b>Name of each exchange on which registered</b>
Common Stock, par value \$0.01 per share	SGBX	The Nasdaq Stock Market LLC

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

The aggregate market value of the common stock held by non-affiliates of Safe & Green Holdings Corp. based on the closing price of the shares of common stock on the Nasdaq Capital Market on June 30, 2022 was approximately \$19,987,535.

As of March 30, 2023, the issuer had a total of 14,314,800 shares of common stock outstanding and 82 record holders.

DOCUMENTS INCORPORATED BY REFERENCE

None

---

---

---

SAFE & GREEN HOLDINGS CORP.  
FORM 10-K

TABLE OF CONTENTS

Page

<a href="#">PART I</a>		1
Item 1.	<a href="#">Business.</a>	4
Item 1A.	<a href="#">Risk Factors.</a>	15
Item 1B.	<a href="#">Unresolved Staff Comments.</a>	40
Item 2.	<a href="#">Properties.</a>	40
Item 3.	<a href="#">Legal Proceedings.</a>	40
Item 4.	<a href="#">Mine Safety Disclosures.</a>	40
<a href="#">PART II</a>		41
Item 5.	<a href="#">Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.</a>	41
Item 6.	<a href="#">Reserved</a>	42
Item 7.	<a href="#">Management’s Discussion and Analysis of Financial Condition and Results of Operations.</a>	43
Item 7A.	<a href="#">Quantitative and Qualitative Disclosures About Market Risk.</a>	51
Item 8.	<a href="#">Financial Statements and Supplementary Data.</a>	51
Item 9.	<a href="#">Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.</a>	52
Item 9A.	<a href="#">Controls and Procedures.</a>	52
Item 9B.	<a href="#">Other Information</a>	52
Item 9C.	<a href="#">Disclosure Regarding Foreign Jurisdictions that Prevent Inspections</a>	29
<a href="#">PART III</a>		53
Item 10.	<a href="#">Directors, Executive Officers and Corporate Governance.</a>	53
Item 11.	<a href="#">Executive Compensation.</a>	59
Item 12.	<a href="#">Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.</a>	67
Item 13.	<a href="#">Certain Relationships and Related Transactions, and Director Independence.</a>	69
Item 14.	<a href="#">Principal Accountant Fees and Services.</a>	70
<a href="#">PART IV</a>		71
Item 15.	<a href="#">Exhibit and Financial Statement Schedules.</a>	71
Item 16.	<a href="#">Form 10-K Summary.</a>	72
<a href="#">SIGNATURES</a>		77

---

## PART I

### FORWARD-LOOKING STATEMENTS

*This Annual Report on Form 10-K (the “Annual Report”) contains “forward-looking statements” that involve risks and uncertainties. Our actual results could differ materially from those discussed in the forward-looking statements. The statements contained in this report that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the “Securities Act”, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Forward-looking statements are often identified by the use of words such as, but not limited to, “anticipate,” “believe,” “can,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “project,” “seek,” “should,” “strategy,” “target,” “will,” “would” and similar expressions or variations intended to identify forward-looking statements. These statements are based on the beliefs and assumptions of our management based on information currently available to management. Such forward-looking statements are subject to risks, uncertainties and other important factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified below and those discussed in the section titled “Risk Factors” included under Part I, Item 1A below. Furthermore, such forward-looking statements speak only as of the date of this report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.*

*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, 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. Investors 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. Any forward-looking statements made by us or on our behalf speak only as of the date they are made, and we do not undertake to update any forward-looking statement that may be made from time to time on our behalf.*

*As used in this Annual Report, unless the context requires otherwise, references to “Safe & Green”, “the Company”, “we”, “us”, and “our” refer to Safe & Green Holdings Corp. and its subsidiaries, as the context requires.*

*“Safe & Green”<sup>TM</sup>, GreenSteel<sup>TM</sup> and the SG logo are our trademarks. All other trademarks and service marks appearing in this prospectus are the property of their respective owners.*

*Unless otherwise stated all shares and per share amounts for all periods presented in this Annual Report have been adjusted to reflect the 1-for-20 reverse stock split we effected on February 5, 2020.*

## Summary Risk Factors

Our business and our ability to execute our business strategy are subject to a number of risks of which you should be aware of before you decide to invest in our Company. The following is a summary of the more significant risks relating to the Company. A more detailed description of our risk factors can be found below in Item 1A. Risk Factors.

### *Risks Relating to our Financial Position and Capital Requirements*

- We could experience a shortfall in cash over the next twelve months.
- Our independent registered public accounting firm has expressed doubt about our ability to continue as a going concern.
- We have incurred net losses in prior periods and there can be no assurance that we will generate income in the future.
- To date we have not generated revenue from SG DevCorp. or SG Environmental.
- An impairment of goodwill could have a material adverse effect on our financial condition and results of operations.
- We will need to raise additional capital to fund our existing operations.
- We must timely register the shares issuable under the Debenture and the Warrant.
- We may not have an adequate number of shares of common stock authorized to complete future equity transactions.

### *Risks Relating to our Company*

- Our residential construction business is difficult to evaluate because we are currently focused on a new business model.
- Our ability to meet our workforce needs is crucial to our results of operations and future sales and profitability.
- We have a fixed cost base that will affect our profitability if our sales decrease.
- A material disruption of our suppliers or SG Echo's facilities could prevent us from meeting customer demand.
- A natural disaster, the effects of climate change, or other disruptions at our SG Echo facility could adversely affect us.
- The requirements of being a public company may strain our resources and divert management's attention.
- We are dependent on the services of key personnel, a few customers and vendors.
- We currently are, and may in the future be, subject to legal proceedings or investigations.
- The loss of one or a few customers or vendors could have a material adverse effect on us.
- We currently are, and may in the future be, subject to legal proceedings or investigations.
- We may have difficulty protecting our proprietary manufacturing processes.

### *Risks Relating to our Business and Industry*

- Changes in general economic conditions and geopolitical and other conditions may adversely impact our business.
- Limited availability or increases in costs of transportation could adversely affect our business and operations.
- Expansion of our operations may strain resources.
- Our clients may adjust, cancel or suspend the contracts in our backlog.
- Our liability for estimated warranties may be inadequate.
- We can be adversely affected by failures of persons who act on our behalf to comply with applicable regulations.
- The cyclical and seasonal nature of the construction industry causes our revenues and operating results to fluctuate.
- Our business depends on the construction industry and general business, financial market and economic conditions.
- Our business relies on private investment and a slower than expected economy may adversely affect our results.
- A material disruption at one of our suppliers' facilities could negatively affect our overall financial results.
- We are subject to risks regarding environmental, health and safety laws and regulations.
- Our business may be subject to economic and political risks of operating and obtaining supplies from foreign countries.
- Our operating results will be subject to fluctuations and are inherently unpredictable.
- We are subject to cybersecurity.
- We could suffer adverse tax and other financial consequences if we are unable to utilize our net operating loss carryforwards.

*Risks Relating to the Construction Sector*

- We may be dependent upon third-party financing.
- The construction industry is highly competitive.
- There can be no assurance of market acceptance of Modules or modular construction techniques.
- Government regulations and legal challenges may have a negative impact on our operations.
- We could be exposed to potentially significant liability costs.

*Risks Relating to SG DevCorp.*

- The SG DevCorp.'s success depends in part upon its ability to acquire suitable land parcels.
- SG DevCorp. operates in a highly competitive market for investment opportunities.
- SG DevCorp.'s property portfolio has a high concentration of properties located in certain states.
- There can be no assurance that the properties in SG DevCorp.'s development pipeline will be completed.
- SG DevCorp.'s insurance coverage on its properties may be inadequate to cover any losses it may incur.
- SG DevCorp. may not be able to secure sufficient modular units to complete its developments.
- SG DevCorp.'s operating results may be negatively affected by potential development and construction delays.
- SG DevCorp. relies on third-party suppliers and long supply chains.
- The construction of manufacturing facilities involves significant risks.
- Discovery of previously undetected environmentally hazardous conditions may adversely affect SG DevCorp.
- Legislative, regulatory, accounting or tax rules could adversely affect SG DevCorp.
- SG DevCorp.'s is greatly affected by the performance of the real estate industry which is cyclical.
- Fluctuations in real estate values may require SG DevCorp. to write-down the book value of its real estate assets.
- Inflation could adversely affect SG DevCorp.'s business and financial results.
- SG DevCorp. could be impacted by its investments through joint ventures, which involve risks.
- Risks associated with SG DevCorp.'s land and lot inventories could adversely affect its business or financial results.
- SG DevCorp. may not be able to sell its real property assets when it desires.
- Access to financing sources may not be available on favorable terms, or at all.
- The Company's plan to separate into two publicly companies is subject to various risks and it may not achieve benefits.

*Risks Relating to the Medical Sector*

- Our medical sector is dependent on the availability and work of and skill of subcontractors.

*Risks Relating to our Common Stock*

- Failure to meet the continued listing requirements of the Nasdaq Capital Market could result in a delisting.
- Our stock price has been subject to fluctuations in the past, has recently been volatile and our stock is thinly traded.
- The requirements of being a public company may strain our resources.
- Sales of shares of our common stock, could cause the price of our common stock to decline and result in dilution.
- Certain provisions of Delaware law could discourage, delay or prevent a merger or acquisition at a premium price.
- We have availed ourselves of reduced disclosure requirements, which may make our common stock less attractive.

## Item 1. Business.

### Company Overview

We operate in the following four segments: (i) construction; (ii) medical; (iii) real estate development; and (iv) environmental. The construction segment designs and constructs modular structures built in our factories using raw materials that are Made-in-America. In the medical segment we use our modular technology to offer turnkey solutions to medical testing and treatment and generating revenue from medical testing. Our real estate development segment builds innovative and green single or multifamily projects in underserved regions nationally using modules built in one of our vertically integrated factories. The environmental segment, the newest segment, is a sustainable medical and waste management solution that has a patented technology to collect waste and treat waste for safe disposal.

We are a provider of modular facilities (“Modules”). We currently provide Modules made out of both code-engineered cargo shipping containers and wood for use as both permanent or temporary structures for residential housing use and commercial use, including for health care facilities. Prior to the COVID-19 pandemic, the Modules we supplied were primarily for retail, restaurant and military use and were manufactured by third party suppliers using our proprietary technology and design and engineering expertise, which modifies code-engineered cargo shipping containers and purpose-built modules for use for safe and sustainable commercial, industrial and residential building. Since our acquisition in September 2020 of Echo DCL, LLC (“Echo”), one of our key supply chain providers, we now have more control over the manufacturing process and have increased our product offerings to add Modules made out of wood. In March 2020, in response to the COVID-19 pandemic we began increasing our focus on providing our Modules as health care facilities for deployable medical response solutions. In February 2023, we entered into an agreement with The Peoples Health Care, in Glendale, California, working in conjunction with Teamsters Local 848, to deliver four Modules to provide medical services to union members. During 2021, through our subsidiary, Safe and Green Development Corporation. (“SG DevCorp”) we also began to focus on acquiring property to build multi-family housing communities that allows us to utilize the manufacturing services of SG Echo. Our newest subsidiary, SG Environmental Solutions Corp. (“SG Environmental”), formed in Delaware is focused on biomedical waste removal and will utilize a patented technology that it licenses to shred and disinfect biomedical waste, rendering the waste disinfected, unrecognizable, and of no greater risk to the public health than residential household waste

### Our Modules

Prior to October 2019, our business model was solely a project-based construction model pursuant to which we were responsible for the design and construction of finished products that incorporated our Modules primarily to customers in the retail, restaurant, military and education industries throughout the United States. In October 2019, we changed our business model for our residential building construction to a royalty fee model and entered into a five-year exclusive license with CPF GP 2019-1 LLC (“CPF”) under which CPF licensed on an exclusive basis our proprietary technology and intellectual property to develop and commercialize products in the United States (and its territories) for residential use, including, without limitation, single-family residences and multi-family residences, but excluding military housing. On June 15, 2021, we terminated the exclusive license by mutual agreement and ceased our royalty fee model.

Prior to the COVID-19 pandemic, our core customer base was comprised of architects, landowners, builders and developers who use our Modules in commercial and residential structures. Our cargo modified Modules allow for the redesign, repurpose and conversion of heavy-gauge steel cargo shipping containers into Safe & Green™, which are safe green building blocks for commercial, industrial, and residential building construction, rather than consuming new steel and lumber. Our technology and expertise is also used to purpose-build modules, or prefabricated steel modular units customized for use in modular construction (“SGPBMs” and, together with Safe & Green™, “Modules”), primarily to augment or complement an Safe & Green™ structure.

On June 15, 2021, we terminated that certain Exclusive License Agreement, dated as of October 3, 2019 (the "License Agreement"), with CPF, pursuant to which we had granted CPF an exclusive license solely within the United States and its legal territories to our technology, intellectual property, any improvements thereto, and any related permits, in order to develop and commercialize products within the field of design and project management platforms for residential use, including single-family residences and multi-family residences, but excluding military. In connection with the termination of the License, we entered into a Settlement and Mutual Release Agreement (the "Settlement and Mutual Release Agreement") with CPF, and Capital Plus Financial, LLC ("Capital Plus"), a limited partner of CPF, pursuant to which the License Agreement was terminated, we released CPF and CPF MF 2019-1 LLC ("CPF MF") for any claims in exchange for releases from CPF and Capital Plus and we received an assignment of CPF's right under certain circumstances to a \$1.25 million redemption distribution from CPF MF under its Operating Agreement. We and Paul Galvin previously made loans to CPF in the principal amount of \$650,000 and \$100,000 evidenced by promissory notes pursuant to the terms of a certain Loan Agreement. The loans are unaffected by the Settlement and Mutual Release Agreement and remain in effect and outstanding in accordance with the terms of the notes evidencing such loans.

Under the License Agreement, during the initial term, CPF had agreed to pay us a royalty of (i) five percent (5%) on the first \$20,000,000 of gross revenues derived from CPF's commercialization of the license (net of customary discounts, sales taxes, delivery charges, and amounts for returns) (the "Gross Revenues"), (ii) four and one-half percent (4.5%) on the next \$30,000,000 of Gross Revenues, and (iii) five percent (5%) on all Gross Revenues thereafter (collectively, the "Royalty"), subject to the following minimum royalty payments determined on a cumulative basis during the initial term: \$500,000 in year 1, \$750,000 in year 2, \$1,500,000 in year 3, \$2,000,000 in year 4, and \$2,500,000 in year 5. During the year ended December 31, 2022 and 2021, we did not receive any royalty payments under the License Agreement.

On October 3, 2019, we had entered into a Loan Agreement and Promissory Note (the "Loan Agreement") with CPF, which was amended on October 15, 2019 and further amended on November 7, 2019, pursuant to which we agreed to loan CPF \$750,000 at an annual interest rate of five percent (5%), with a maturity date of July 31, 2023. Under the Loan Agreement, as amended, we agreed to advance to CPF the first installment of the principal amount, equal to \$500,000, no later than January 31, 2020 and the second installment of the principal amount, equal to \$250,000, no later than April 15, 2020. As security for this loan, we received a security interest in all of CPF's membership interests in CPF MF, a Texas limited liability company of which CPF GP is the general partner. If we failed to fund either principal installment, such failure would have constituted a default under the Loan Agreement and a cross default under the License Agreement. On January 21, 2020, pursuant to the Loan Agreement, CPF issued to us a promissory note in the principal amount of \$400,000 (the "Company Note") and issued to Paul Galvin, our Chairman and CEO, a promissory note in the principal amount of \$100,000 (the "Galvin Note"). The transaction closed on January 22, 2020, on which date we loaned CPF \$400,000 and Mr. Galvin personally loaned CPF \$100,000 on behalf of us. The Company Note and Galvin Note bear interest at five percent (5%) per annum, payable, together with the unpaid principal amount of the promissory notes, on the earlier of the July 31, 2023 maturity date or upon the liquidation, redemption sale or issuance of a dividend upon the LLC interests in CPF MF 2019-1 LLC; provided, that the terms of the Galvin Note provide that all interest payments due to Mr. Galvin under the Galvin Note shall be paid directly to, and for the benefit of, our Company.

### Modular Construction

The sites we develop will primarily utilize modular construction. We produce purpose built pre-fabricated modular structures, for both residential and commercial use, using wood or steel as the base material. We believe that modular construction provides the following benefits:

<i><b>STRONG</b></i>	<i><b>FAST</b></i>	<i><b>GREEN</b></i>
<ul style="list-style-type: none"> <li>● Factory produced modules provide greater quality of construction</li> <li>● Modules are inspected by a third party engineering firm to meet or exceed all applicable building codes</li> <li>● Less weather related damage to construction materials</li> </ul>	<ul style="list-style-type: none"> <li>● Modules can be produced in parallel to the local site and civil work to enhance the date of completion</li> <li>● Projects can save up to 50% on speed to market in comparison to traditional construction</li> </ul>	<ul style="list-style-type: none"> <li>● Modular construction allows for energy savings and more efficient waste management than traditional construction</li> <li>● Less site disturbance and impact on local traffic</li> </ul>

In cases where modular construction is not advantageous, SG DevCorp. will utilize other construction methods. In the case of building manufacturing facilities, for example, SG DevCorp. expects to work with a team of third-party architects, engineers and construction management firms with deep experience in developing industrial sites to build out such facilities.



## **Products Produced with Our GreenSteel™ Modular Technology**

The building products developed with our proprietary technology and design and engineering expertise are generally stronger, more durable, environmentally sensitive, and erected in less time than traditional construction methods. The use of the Safe & Green building structure typically provides between four to six points towards the Leadership in Energy and Environmental Design (“LEED”) certification levels, including reduced site disturbance, resource reuse, recycled content, innovation in design and use of local and regional materials. Due to our ability to satisfy such requirements, we believe the products produced utilizing our technology and expertise is a leader in environmentally sustainable construction.

There are three core product offerings that utilize our involves GreenSteel technology and engineering expertise. The first product offering involves GreenSteel Modules, which are the structural core and shell of a Safe & Green building. We procure the containers, engineer required openings with structural steel enforcements, paint the containers and then deliver them on-site, where the customer or a customer’s general contractor will complete the entire finish out and installation. The second product offering involves replicating the process to create the GreenSteel product and, in addition, installing selected materials, finishes and systems (including, but not limited to floors, windows, doors, interior painting, electrical wiring and fixtures, plumbing outlets and bathrooms, roofing system) and delivering Safe & Green pre-fabricated containers to the site for a third party licensed general contractor to complete the final finish out and installation. Finally, the third product offering is the completely fabricated and finished Safe & Green building (including but not limited to floors, windows, doors, interior painting, electrical wiring and fixtures, plumbing outlets and bathrooms, roofing systems), including erecting the final unit on site and completing any other final steps. The building is ready for occupancy and/or use as soon as installation is completed. Construction administration and/or project management services are typically included in our product offerings.

## **Other Modular Products**

We also produce pre-fabricated modular containers, for both residential and commercial use, at SG Echo using wood as the base material instead of steel containers. We have found that many clients prefer a mix of wood and steel containers for their projects, wood for aesthetics and cost-savings, and steel for stability and durability. Since our acquisition of Echo, approximately 75% of our Module sales have been for wood-based modules.

## **ESR Approval**

In April 2017, the ICC Evaluation Service, LLC (“ICC-ES”) granted us an Evaluation Service Report (“ESR”) for the Safe & Green structural building materials. We believe we are the first modular building company to receive such certification. Our ESR indicates that the ICC-ES recognizes the suitability and technical capabilities of the Safe & Green structural building materials for use in compliance with the International Building Code and Residential Code, the California Building Code and Residential Code, and the Florida Building Code—Building and Residential. We believe our ESR has expedited reviews and approvals by state and local building departments, helped the Safe & Green concept gain wider acceptance in the construction industry and opened up licensing opportunities internationally. We also believe the ESR will make it more difficult for other companies in the industry to compete with us because the quality control and design acceptance criteria are specific to us and our associated facilities.

Our ESR is site-specific; therefore, only the inspected and approved facilities can place the ICC-ES mark on the containers. We currently source or fabricate our Safe & Green from 18 facilities located throughout the continental United States. The ICC-ES has currently approved six of these facilities to place the ICC-ES medallion and we will seek ICC-ES approval for additional facilities on an as needed basis. Each of these facilities undergo an annual inspection by ICC-ES. Currently, each of these facilities has been re-certified by ICC-ES and is current with their recertifications. All Safe & Green manufactured at these facilities have an ESR medallion that validates the quality control process. Because our ESR does not cover SGPBMs, this certification does not extend to buildings constructed using SGPBMs.

## Target Markets

To date, the target markets for the products that utilize our technology and expertise of Modules have been the new construction market in the United States. The Modules that utilize our technology and expertise have a particular application in a number of segments, including:

- Single-Family and Multi-Family Housing
- Restaurants and Quick Service Restaurants
- Military
- Education/Student Housing
- Health Care including medical laboratories
- Equipment Enclosures and Stacking Solutions
- Office and Commercial
- Commercial and residential customers
- Athletic facilities and support structures
- Administration Facilities

In addition, future target markets for expansion of such products and services include data centers, warehouse/public storage, reclamation/drop off centers and medical.

### *Safe & Green Medical*

In March 2020, we began increasing our focus on providing our Modules as health care facilities for deployable medical response solutions. In May 2020, we entered into a joint development agreement with Grimshaw Design to assist with the deployment of our D-Tec suite of prefabricated health facilities for on-site immediate COVID-19 testing.

On August 27, 2020, we entered into a joint venture agreement (the "Clarity Mobile Venture") with Clarity Labs Solutions, LLC, a CLIA-certified laboratory based in Miami, Florida ("Clarity Labs"). Under the Clarity Mobile Venture, we, along with Clarity Labs agreed to jointly market, sell, and distribute certain lab testing products and services. On November 12, 2020, Clarity Mobile Venture entered into a contract with the City of Los Angeles for the operations of a COVID-19 PCR Test Laboratory at Los Angeles International Airport ("LAX") to provide a full-service modular COVID-19 laboratory and testing facility onsite at Los Angeles International Airport. This facility conducted PCR tests with results available within three hours for passengers and airline crew, and no later than 24 hours for LAX airport employees. In September 2022, we terminated the Clarity Mobile Venture by mutual agreement. For the year-ended December 31, 2022 and December 31, 2021, we recognized approximately \$11,600,000 and \$31,500,000, respectively, in revenue related to activities through these joint ventures, which is included in medical revenue on the accompanying consolidated statements of operations.

In February 2023, we entered into an agreement with The Peoples Health Care, a non-profit organization, based in Glendale, California, working in conjunction with Teamsters Local 848, to deliver on or before the end of the second quarter of 2023 four (4) full mobile medical modules to provide medical services consistent with industry standards. We are engaged in negotiations with third-party subcontractors to serve as the clinical operator and staffer of the medical modules providing union members with general wellness, point-of-care medicine, and primary care. Amenities are expected to include, but are not limited to, general wellness, vaccines and testing, specialist referrals, urgent care, imaging and pathological diagnostics, and pharmacy services.

## *SG Echo*

In September 2020, we consummated the transaction contemplated by the Asset Purchase Agreement that SG Echo entered into with Echo DCL, LLC pursuant to which Echo acquired substantially all the assets of Echo DCL, LLC, a Texas limited liability company, except for Echo DCL, LLC's real estate holdings. SG Echo is a container/modular manufacturer based in Durant, Oklahoma specializing in the design and construction of permanent modular and temporary modular buildings and was one of our key supply chain partners. SG Echo catered to the military, education, administration facilities, healthcare, government, commercial and residential customers. This acquisition has allowed us to expand our reach for our Modules and has offered us an opportunity to vertically integrate a large portion of our cost of goods sold, as well as increase margins, productivity and efficiency in the areas of design, estimating, manufacturing and delivery. We intend to construct many of the planned developments using Modules built by SG Echo.

Pursuant to the terms of the Asset Purchase Agreement, at the closing of the transaction we paid to Echo DCL, LLC an aggregate of \$1,059,600 in cash, subject to the escrow of certain of the purchase price funds, and SG Echo agreed to pay certain of Echo DCL, LLC's indebtedness, including the obligation to (i) satisfy a Guidance Line of Credit loan ("GLOC Loan") in the principal amount of approximately \$616,000 (\$316,432 of which payoff proceeds were delivered by SG Echo to Echo DCL, LLC at the closing), (ii) pay the debt service on certain of Echo DCL, LLC's indebtedness in the approximate principal amount of \$1.7 million for 12 months following the closing, (iii) pay the monthly principal and interest due under the BTH Credit Line in the principal amount of \$500,000 for 12 months following the closing and if Echo DCL, LLC has not fully satisfied the outstanding principal and interest due under the BTH Credit Line and caused the BTH lender to release and terminate any encumbrances on the assets arising out of the BTH Credit Line, SG Echo has the right to pay the outstanding principal and interest due, and (iv) pay earn out payments equal to the net income received from the acquired business during the 3-month period beginning on the first day of the first full month that is 3 months after the closing date, the 3-month period following the first earn out period and the 3-month period following the second earn out period, payable in 50% in cash and 50% in shares of our common stock to be valued a \$2.50 per share; provided, that up to approximately \$300,000 of any amounts paid in respect of the GLOC Loan, and any amounts paid in respect of the debt service on Echo's indebtedness and line of credit with BTH Bank, as described in subparagraphs (i), (ii) or (iii) above, shall be offset against and reduce the earnout payments due to Echo DCL, LLC. In no event may the number of shares of common stock to be issued to Echo DCL, LLC exceed 19.99% of our outstanding shares on the date of the execution of the Asset Purchase Agreement. As of December 31, 2021, no earn out payments have been issued to Echo DCL, LLC.

In July 2022, SG Echo entered into a fabrication agreement with Moliving Inc., the world's first luxury nomadic hospitality solution. The fabrication agreement is expected to generate approximately \$15 million in revenue for an initial 60 units, all of which will be sent to Moliving's Hurley House location, an eco-resort located in the Hudson Valley area.

In August 2022, SG Echo executed an agreement with People First Industries, an Oklahoma non-profit corporation to construct an approximately 4,550 square feet, 6-module office building and facility. People First Industries' is an Oklahoma State Use Program and works to empower individuals with intellectual and developmental disabilities.

## *SG Environmental*

In March 2022, we entered into a ten-year exclusive distribution agreement with Sanitec Industries LLC ("Sanitec"), a sustainable waste management company that is the global patent holder for the Sanitec Microwave Healthcare Waste Disinfection System™ for the State of New York with a right to expand to other states. The Sanitec Microwave Disinfection Unit is designed to shred and disinfect biomedical waste, rendering the waste disinfected, unrecognizable, and of no greater risk to the public health than residential household waste. Sanitec Industries existing customers are primarily centered in healthcare facilities nationwide, ranging from large hospital systems to single practitioner doctors' offices. In connection with our entry into the Sanitec distribution agreement we formed a new subsidiary, SG Environmental Solutions Corp.

## *SG Development*

During February 2021, we formed SG DevCorp. for the purpose of real property development utilizing our technologies and our manufacturing facility. SG DevCorp.'s current business focus is primarily on the direct acquisition and indirect investment in properties nationally that will be further developed in the future into green single or multi-family projects. To date, SG DevCorp. has not generated any revenue and its activities have consisted solely of the acquisition of three properties and an investment in two entities that have acquired two properties to be further developed; however it has not yet commenced any development activities. SG DevCorp. intends to construct many of its planned developments using Modules built by SG Echo. In addition to these development projects, it intends, subject to its ability to raise sufficient capital, to build additional, strategically placed manufacturing facilities that will be sold or leased to third parties as well as leased to SG Echo. SG DevCorp. intends to build manufacturing sites for lease to SG Echo near its project sites in order to take advantage of cost savings for transportation of modules. SG DevCorp.'s business model is flexible and we anticipate developing properties on its own and also through joint ventures in which we partner with third-party equity investors or other developers.

SG DevCorp. has entered into, and may continue in the future to enter into, joint ventures (including limited liability companies or partnerships) through which it would own an indirect economic interest of less than 100% of the property owned directly by such joint ventures. The decision to either develop a property on its own or through a joint venture is based on a variety of factors and considerations, including: (i) the economic and tax terms required by the seller of land; (ii) SG DevCorp.'s desire to diversify its portfolio of communities by market, submarket and product type; (iii) its desire at times to preserve our capital resources to maintain liquidity or balance sheet strength; and (iv) its projections, in some circumstances, that it will achieve higher returns on its invested capital or reduce its risk if a joint venture vehicle is used. Each joint venture agreement is individually negotiated, and SG DevCorp.'s ability to operate and/or dispose of a community in its sole discretion may be limited to varying degrees depending on the terms of the joint venture agreement.

SG DevCorp. has filed with the Securities and Exchange Commission (the "SEC") and Information Statement on Form 10 for the separation of SG DevCorp. from SG Holdings into two separate publicly traded companies. To implement the separation, we plan to distribute 30% of the outstanding shares of common stock of SG DevCorp. to our stockholders on a pro rata basis as a distribution (the "Separation and Distribution"). The Separation and Distribution is intended, among other things, to enable the management of the two companies to pursue opportunities for long-term growth and profitability unique to each company's business and to allow each business to more effectively implement its own distinct capital structure and capital allocation strategies.

Our Board believes that, following the Separation and Distribution, the combined value of our common stock and SG DevCorp.'s common stock could, over time and assuming similar market conditions, be greater than the value of our common stock had the Separation and Distribution not occurred. As a combined company, we have no exact peers, which our Board believes causes the market to undervalue the combined company. With two separate public companies having distinct business models and investment characteristics, investors will have the opportunity to value each against distinct sets of peers and investment metrics. This has the potential to increase the overall valuation of the companies, thus unlocking stockholder value. The increased market value of the common stock of each company should provide additional flexibility for each company to pursue its business strategy.

#### *Current Projects/Development Sites*

Lago Vista-On May 10, 2021, SG DevCorp. acquired a 50+ acre site in Lago Vista, Texas for \$3,500,000, paid in cash, pursuant to the Unimproved Property Contract, dated February 25, 2021, with Northport Harbor LLC. The acquired parcel sits on Lake Travis on the Colorado River in central Texas. The property is listed for sale. SG DevCorp. acquired the property and were able to successfully get a PDD approved for 174 condominium units, which was further amended to include the option of building rental units on the property. As a result of obtaining the site approval and market conditions, the property's value increased significantly from the time of purchase. Accordingly, SG DevCorp. determined to list the undeveloped property for sale.

On July 14, 2021, SG DevCorp. issued a Real Estate Lien Note, dated July 14, 2021, in the principal amount of \$2.0 million (the "Note"), secured by a Deed of Trust, dated July 14, 2021, on the Lake Travis project site in Lago Vista, Texas and a related Assignment of Leases and Rents, dated July 8, 2021, for net loan proceeds of \$1,958,233 after fees. The Note had a term of one (1) year, provided for payments of interest only at a rate of twelve percent (12%) per annum and could be prepaid without penalty commencing nine (9) months after its issuance date. If the Note was prepaid prior to nine (9) months after its issuance date, a 0.5% prepayment penalty would be due. This Note was initially extended until January 14, 2023 and was further extended until February 1, 2024 with an interest rate of twelve and a half (12.5%) per annum. In addition, on September 8, 2022, we issued a Second Lien Note in the principal amount of \$500,000 (the "Second Note," and collectively with the Note, the "Notes") also secured by a Deed of Trust on the Lake Travis project site in Lago Vista, Texas. This Second Lien provides for payments of interest only at a rate of twelve percent (12%) per annum and originally matured on January 14, 2023, which maturity date was extended until February 1, 2024 with an interest rate of twelve and a half (12.5%) per annum. SG DevCorp. intends to use the proceeds from the sale of the property for its other development projects. On March 30, 2023, an affiliate of SG DevCorp. entered into an agreement to secure financing to pay off the Notes by issuing a new \$5,000,000 note to be secured by the Lago Vista property and SG DevCorp.'s McLean site in Durant, Oklahoma. As of the date of this report, the financing to pay off the Notes had not closed.

Norman Berry Village - On May 31, 2021, SG DevCorp. acquired a 50% membership interest for \$600,000 in a limited liability company, Norman Berry II Owners, LLC ("NB Owners"), that is building affordable housing in the Atlanta, Georgia metropolitan area to be known as "Norman Berry Village". SG DevCorp. has partnered with CMC Development Group, a New York City-based real estate development firm ("CMC") with national expertise providing design build services. CMC owns the other 50% membership interest in NB Owners. The NB Owners' operating agreement provides that NB Owners will initially have two managers, one designated by CMC (the "CMC Manager") and one designated by us. Pursuant to the operating agreement, the CMC Manager will manage the day-to-day business and affairs of NB Owners and all non-routine decisions requires the approval of members owning a majority of the outstanding membership interests. The operating agreement also provides that any fee earned by CMC in connection with the acquisition and development of the Norman Berry Village and related real property will be split 75% to CMC and 25% to us. SG DevCorp. has no obligation under the operating agreement to make any additional capital contributions to NB Owners. In addition, neither SG DevCorp. nor CMC may voluntarily make any additional capital contributions to NB Owners. In accordance with the operating agreement, we are entitled to a preferred return equal to 10% per annum on our unreturned capital contributions which return will (i) accrue from the date on which our capital contributions were actually contributed to NB Owners until the date such capital contributions are returned to SG DevCorp., and (ii) compound annually. expect the project to develop 125,000 square feet of space and build approximately 132 multi-family rental apartments in two buildings. SG DevCorp. expects the project to commence in the first quarter of 2024, subject to available funding, and to be completed within three years of commencement for estimated development costs for this project is approximately \$35 million dollars.

Cumberland Inlet-On June 24, 2021, SG DevCorp., as member, entered into an Operating Agreement, with Jacoby Development, Inc., a Georgia corporation ("JDI"), as manager, dated June 24, 2021 (the "Operating Agreement"), for JDI-Cumberland Inlet, LLC, a Georgia limited liability company ("JDI-Cumberland"), pursuant to which SG DevCorp. acquired a 10% non-dilutable equity interest ("LLC Interest") in JDI-Cumberland and agreed to contribute \$3,000,000 in capital to it for the development of a 1,400 acre waterfront parcel in downtown historic St. Marys, Georgia (the "Project"). SG DevCorp. in conjunction with Jacoby Development of Atlanta, Georgia expects to develop a mixed-use destination community. JDI-Cumberland has purchased a 1,298 acre waterfront parcel in downtown historic St. Marys, Georgia and expects to develop approximately 352 acres thereof (the "Cumberland Project"). SG DevCorp., in conjunction with JDI, expect to develop a mixed-use destination community. The location will serve as home to 3,500 units made up of single family, multi-family, vacation and hospitality use, as well as a full-service marina, village, and upscale Eco-Tourism park inclusive of camping, yurts, cabins and cottages.

SG DevCorp. has no obligation under the Operating Agreement to make any additional capital contributions to JDI-Cumberland. The Operating Agreement provides JDI with the right, at its option, to purchase the LLC Interest from SG DevCorp. on or before June 24, 2023 for \$3.0 million, plus an amount equal to an annual internal rate of return (IRR) on such funds of forty (40%) percent (i.e., \$1.2 million annualized). After June 24, 2023, the Operating Agreement provides JDI with the right, at its option, to purchase the LLC Interest from us for \$3.0 million, plus an amount equal to an IRR of thirty-two and one-half (32.5%) percent (i.e., \$975,000 annualized). The Operating Agreement also provides that if JDI receives a good faith, bona fide written offer from an unaffiliated third party to purchase all or any portion of the Project, JDI shall first offer the Project to us at the same price and upon substantially the same terms as are contained in the offer. The Operating Agreement contains certain protective provisions that prevent JDI, as manager, from determining to, or taking, certain significant actions without our consent. SG Echo, a subsidiary of SG Holdings, entered into a Fabrication and Building Services Agreement ("Building Services Agreement") with JDI-Cumberland to design, fabricate and install various improvements for the Project using modular structures, pursuant to budgets prepared by SG Echo submitted for approval to JDI-Cumberland, including a marina, town center, apartments and single family units, townhomes, commercial, retail and lodging buildings/structures, eco-tourism park, camping yurts, cabins and cottages. The Building Services Agreement has an initial term of three years, with two-year automatic renewal provisions. During the term of the Building Services Agreement, SG Echo will have a right of first refusal with respect to each phase of the construction of the project buildings. If SG Echo's quote for a given phase is no more than five percent more than the average of all bona fide, arm's length bids that JDI-Cumberland obtains from reputable, unaffiliated builders, the phase will be awarded to SG Echo. In the event that SG Echo's quote for a given phase is more than five percent more than the average of all bona fide arm's length bids JDI-Cumberland obtains from reputable, unaffiliated builders, SG Echo will have the right to match such best bona fide, arm's length offers and secure the work.

SG DevCorp. anticipates that the first phase of development activities at this site will be the construction of 165 multifamily units over the course of 12-18 months, which activities are anticipated to commence during the third quarter of 2023, with an estimated cost of \$38 million. SG DevCorp. also anticipates that the units will be built with modules supplied by SG Echo. Current plans are to sell this development three (3) years after development.

McLean Mixed Use Site-On November 10, 2021 SG DevCorp. entered into a Purchase Agreement ("Purchase Agreement") with the Durant Industrial Authority to acquire 100% ownership of approximately 114 mixed-use acres in Durant, Oklahoma for \$865,000. In February 2022, SG DevCorp. closed on and acquired the 114 acre site. SG DevCorp. anticipates building approximately 800 residential units and up to 1,100,000 square feet of industrial manufacturing space on the mixed-use property. SG DevCorp. plans to build and SG Echo will occupy a 120,000 square foot state of the art manufacturing facility. The property is zoned for an additional 1.0 million square feet of industrial space. SG DevCorp. is currently marketing the additional space to potential tenants. On December 2, 2022, SG DevCorp. entered into a Fabrication Agreement (the "Fabrication Agreement") with SG Echo for the fabrication of approximately 800 multifamily market rate rental units, equal to approximately 800,000 square feet of new modular buildings to be located at the McLean site (the "Project"). The Fabrication Agreement provides that SG Echo will be paid a fee equal to 15% of the cost of the Project. SG DevCorp.'s obligations under the Fabrication Agreement are subject to it securing third party financing for the Project.

SG DevCorp. anticipates that the first phase of development activities at this site will be the construction of 100 multifamily units over the course of 12-18 months, which activities are anticipated to commence during the third quarter of 2023, with an estimated cost of \$17 million. It also anticipates that the units will be built with modules supplied by SG Echo. Current plans are to sell this development three (3) years after development.

St. Marys Industrial Site-On August 18, 2022, SG DevCorp. acquired for \$296,870 approximately 33 acres of land adjacent to the Project described below from the Camden County Joint Development Authority (JDA). SG DevCorp. plans to build a 120,000 square foot state of the art manufacturing facility which will be occupied by SG Echo. This facility will service not only the Project, but also the Southeastern region. In connection with the purchase of the St. Marys Industrial Site, SG DevCorp. entered into a promissory note in the amount of \$148,300. This note has a maturity date of September 1, 2023, subject to SG DevCorp.'s right to extend for 6 months upon payments of a fee equal to 1% of the principal balance of the note and provides for payments of interest only at a rate of nine and three quarters percent (9.75%) per annum. This note could be prepaid without penalty, provided, however, if the lender has not received six months of interest, SG DevCorp. must pay the lender an amount equivalent to the months of interest necessary to complete six months of interest. In addition, at the time of payment in full of the note, SG DevCorp. must pay the lender an amount equivalent to half of one percent (0.50%) of the original loan amount. To secure payment in full of the note, the note is secured by a security deed in the property with power of the lender to sell the property.

SG DevCorp. anticipates that of development activities at this site will commence during the second quarter of 2023 and continue for 12-18 months, with an estimated cost of \$17 million. It also anticipates that the units will be built with modules supplied by SG Echo. We also anticipate that the units will be built with modules supplied by SG Echo. Current plans are to sell this development three (3) years after development.

In December 2022, we entered into an agreement to purchase approximately 25 acres in Denison, Texas. We intend to design and create an active senior living community with various amenities on the site at an expected total development cost of approximately \$115 million. The profits from the project over 5 years are estimated at \$40 million. The 496 homes will also create what we believe to be close to \$80 million of construction for SG Echo, with anticipated \$15 million in margin to our manufacturing campus. We expect to close on the purchase of the property in the second quarter of 2023.

## **Our Competitive Strengths**

Although the construction industry is highly competitive, we are committed to educating the real estate community on the benefits of our technology and expertise and positioning the products that utilize our technology and expertise as complementary to the strategy of developers, rather than as competition. We may compete for building opportunities with regional, national and international builders that possess greater financial, marketing and other resources than we do, and competition within the general construction industry may increase if there is future consolidation in the land development and construction industry or from new building technologies that could arise. Within the modular building space, we compete against a small number of companies providing modular-building services. The principal competitive factors in our construction business include, but are not limited to, the availability of building materials; technical product knowledge and expertise; previous experience in modular construction; consulting or other service capabilities; pricing of products; and the marketability of our ESR within the structural building space.

We believe we can distinguish ourselves from our competitors on the basis of our ESR, quality, cost and construction time savings when utilizing our technology and expertise. Our proprietary construction for our cargo based containers method is typically less expensive than traditional construction methods, particularly in urban locations and multi-story projects, and construction time is also generally reduced by using our construction method, reducing both construction and soft costs substantially. Safe & Green are designed to be hurricane-, tornado- and earthquake-resistant and able to withstand harsh climate conditions. The flexibility and the stack-ability of the Modules allows architects, developers and owners to design Modules to meet their specific needs. In addition, our management team has a breadth of knowledge in the modular building industry with a combined 130 years of experience. Our experience in a wide range of construction applications, including office, enclosures, residential, commercial, quick service restaurants, experiential and restaurant applications, gives us an advantage over our competition through the use of market-based prototypes. With the acquisition of Echo, we have been able to vertically integrate our manufacturing process and reduce some of our cost of goods sold, productivity and efficiency.

## **Our Customers**

We market our construction products to a broad customer base, comprised primarily of contractors, home builders, building owners and other resellers across the continental United States and we also market our services and technology to customers in Canada. In addition, as stated above, we have supplied and offer our Modules to the medical community. Safe & Green customers come from all walks in the economy and include government agencies, private developers, the U.S. Military, the Native American Community, the QSR operators, individuals and families requiring COVID-19 tests and a host of entrepreneurs looking to launch ideas and technology. At December 31, 2022 and 2021, 80% and 78%, respectively, of the Company's gross accounts receivable were due from three and four customers. Revenue relating to three and one customers represented approximately 65% and 80% of the Company's total revenue for the years ended December 31, 2022 and 2021, respectively.

## **Our Suppliers and Partners**

Although the primary use of shipping containers is for transportation, when constructing Safe & Green, we use standard materials made in America to modify the container shell structure and finish out the modules. In addition, we use the same standard construction materials to construct and finish out the wood base modules produced at SG Echo. We utilize the same suppliers and materials used by conventional construction. Materials such as windows, doors, insulation mechanical systems, electrical systems and other such supplies are all off-the-shelf materials and equipment commonly available and used in the industry. We believe we have access to alternative suppliers, with limited disruption to the business, should circumstances change with our existing suppliers.

## **Intellectual Property**

We operate under our United States registered trademarks "Safe & Green" and "GreenSteel" and our trademarked "SG" logo.

## Government Regulation and Approval

The design and construction of buildings is controlled at the project level, with local and state municipalities having jurisdiction in most cases. All buildings, conventionally built or modularly built, are subject to published building codes and criteria that must be achieved during the architectural and engineering phase in order to be approved for construction. There are no specific regulations that impact our design and construction technology. While much of the regulation in our industry occurs at the project level, we are subject to various federal, state and local government regulations applicable to the business in the jurisdictions in which we operate, including laws and regulations relating to our relationships with our employees, public health and safety, workplace safety, transportation, zoning and fire codes. Also, to the extent we expand into medical waste removal and medical testing we will be subject to various federal, state and local government regulations. We strive to operate in accordance with applicable laws, codes and regulations. We believe we are in compliance in all material respects with existing applicable environmental laws and regulations and, in addition, that our employment, workplace health and workplace safety practices comply with related regulations.

## General Corporate Information

We were incorporated in the State of Delaware on December 29, 1993 under the name CDSI Holdings, Inc. On November 4, 2011, CDSI Merger Sub, Inc., our wholly-owned subsidiary, completed a reverse merger with and into SG Building Blocks, Inc. ("SG Building"), with SG Building surviving the reverse merger as our wholly owned subsidiary. We primarily conduct our current operations through SG Building. Prior to our emergence from bankruptcy in June 2016, our common stock was quoted on the OTC Bulletin Board. In June 2017 and December 2019, we completed public offerings of our common stock, which currently trades on the Nasdaq Capital Market under the symbol "SGBX."

Our principal offices are located at 990 Biscayne Blvd., #501, Office 12, Miami, FL 33132. Our website address is [www.safeandgreenholdings.com](http://www.safeandgreenholdings.com). The information contained in, and that can be accessed through our website, is not incorporated into and is not a part of this report. We make available on our website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K as soon as reasonably practicable after those reports are filed with the SEC. The following Corporate Governance documents are also posted on our website: Code of Business Conduct and Ethics and the Charters for the following Committees of the Board of Directors: Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee. Our phone number is (646) 240-4235. Our filings may also be read and copied at the SEC's Public Reference Room at 100 F Street NE, Room 1580 Washington, DC 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address of that website is [www.sec.gov](http://www.sec.gov).

## Our Emergence from Bankruptcy

On October 15, 2015, SGB and its subsidiaries (collectively, the "Debtors"), filed voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") under the caption *In re SG Blocks, Inc. et al.*, Case No. 15-12790. On February 29, 2016, the Debtors filed a Disclosure Statement (the "Disclosure Statement"), attaching a Plan of Reorganization (the "Reorganization Plan"), along with a motion seeking approval of the Disclosure Statement by the Bankruptcy Court. On June 30, 2016 (the "Effective Date"), the Reorganization Plan became effective and the Debtors emerged from bankruptcy.

Prior to the Effective Date, SGB was authorized to issue: (i) 300,000,000 shares of common stock, par value \$0.01 (the "Former Common Stock") of which 42,918,927 shares were issued and outstanding as of June 29, 2016; and (ii) 5,000,000 shares of preferred stock, par value \$0.01 (the "Former Preferred Stock"), none of which were issued and outstanding prior to the Effective Date.

On the Effective Date, and pursuant to the terms of the Reorganization Plan, SGB entered into a Securities Purchase Agreement, dated June 30, 2016, pursuant to which SGB sold for a subscription price of \$2.0 million a 12% Original Issue Discount Senior Secured Convertible Debenture to Hillair Capital Investments L.P. ("HCI") in the principal amount of \$2.5 million, with a maturity date of June 30, 2018 (the "Exit Facility").

On the Effective Date, all previously issued and outstanding shares of the Former Common Stock were deemed discharged, cancelled and extinguished, and, pursuant to the Reorganization Plan, SGB issued, in the aggregate, 8,195 shares (as adjusted to effect a 1-for-20 reverse stock split) of common stock, par value \$0.01 (the "New Common Stock"), to the holders of Former Common Stock. Further, under the Reorganization Plan, upon the Effective Date, certain members of SGB's management were entitled to receive options (the "Management Options") to acquire approximately 10,919 shares (as adjusted to effect a 1-for-20 reverse stock split), of SGB's New Common Stock, on a fully diluted basis.



On the Effective Date, pursuant to the terms of the Plan and SGB's Amended and Restated Certificate of Incorporation, SGB filed with the Secretary of State of the State of Delaware a Certificate of Designations of Convertible Preferred Stock, designating 1,801,670 shares (as adjusted to effect a 1-for-3 reverse stock split) of preferred stock, par value \$1.00, all of which were issued upon our emergence from bankruptcy. Prior to our public offering that we consummated in June 2017, all outstanding shares of our preferred stock, were converted into 90,084 shares of common stock. No preferred stock currently remains outstanding.

### **Reverse Stock Split**

On February 5, 2020, we effected a 1-for-20 reverse stock split of our common stock. All share and per share amounts set forth in the consolidated financial statements have been retroactively restated to reflect the split effected in February 2020 as if it had occurred as of the earliest period presented and unless otherwise stated, all other share and per share amounts for all periods presented in this Annual Report have been adjusted to reflect the reverse stock split effected in February 2020.

### **Human Capital**

#### *Employees*

We believe that our success depends upon our ability to attract, develop and retain key personnel. As of December 31, 2022, we directly employed fifteen full-time employees and engaged outside professional firms and subcontractors to deliver projects to customers, and SG Echo directly employed seventy full-time employees.

#### *Health and Safety*

The health and safety of our employees is our highest priority, and this is consistent with our operating philosophy. Accordingly, with the global spread of the ongoing novel coronavirus pandemic, we have implemented plans designed to address and mitigate the impact of the COVID-19 pandemic on the safety of our employees and our business, which include:

- Adding work from home flexibility;
- Adjusting attendance policies to encourage those who are sick to stay home;
- Increasing cleaning protocols across all locations;
- Initiating regular communication regarding impacts of the COVID-19 pandemic, including health and safety protocols and procedures;

## Available Information

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and in accordance therewith, we file reports, proxy and information statements and other information with the SEC. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are available through the investor relations section of our website at [www.safeandgreenholdings.com](http://www.safeandgreenholdings.com). Reports are available free of charge as soon as reasonably practicable after we electronically file them with, or furnish them to, the SEC. The information contained on our website is not incorporated by reference into this Annual Report.

### Item 1A. Risk Factors.

*Investing in our common stock involves a high degree of risk. You should consider carefully the following risks, together with all the other information in this Annual Report, including the section titled “Forward-Looking Statements,” and Part II, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the accompanying notes included elsewhere in this Annual Report. The risks described below are not the only ones we face. Any of the following risks could materially and adversely affect our business. If any of the following risks actually materializes, our operating results, financial condition and liquidity could be materially adversely affected. As a result, the trading price of our common stock could decline and you could lose part or all of your investment. Our business, financial condition and results of operations could also be harmed by risks and uncertainties not currently known to us or that we currently do not believe are material.*

#### Risks Relating to our Financial Position and Capital Requirements.

*If we are not successful in our efforts to increase sales or raise capital, we could experience a shortfall in cash over the next twelve months, and our ability to obtain additional financing on acceptable terms, if at all, may be limited.*

At December 31, 2022 and 2021, we had cash and cash equivalents and a short-term investment, collectively, of \$582,776 and \$13,024,381, respectively. However, during the fiscal years ended December 31, 2022 and 2021, we reported a net loss of \$7,089,242 and \$5,908,372, respectively, and used \$5,630,614 and \$662,759 of cash for operations, respectively. If we are not successful with our efforts to increase revenue, we could experience a shortfall in cash over the next twelve months. If there is a shortfall, we may be forced to reduce operating expenses, among other steps, all of which would have a material adverse effect on our operations going forward.

We may also seek to obtain debt or additional equity financing to meet any cash shortfalls both in the public company or our subsidiaries. The type, timing and terms of any 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 will be able to secure additional funds if needed and that, if such funds are available, the terms or conditions would be acceptable to us, especially in light of the fact that our ability to sell securities registered on our registration statement on Form S-3 will be limited until such time the market value of our voting securities held by non-affiliates is \$75 million or more. If we are unable to secure additional financing, further reduction in operating expenses might need to be substantial in order for us to ensure enough liquidity to sustain our operations. Any equity financing would be dilutive to our stockholders. If we incur debt, we will likely be subject to restrictive covenants that significantly limit our operating flexibility and require us to encumber our assets. If we fail to raise sufficient funds and continue to incur losses, our ability to fund our operations, take advantage of strategic opportunities, or otherwise respond to competitive pressures will be significantly limited. Any of the above limitations could force us to significantly curtail or cease our operations, and you could lose all of your investment in our common stock. These circumstances have raised substantial doubt about our ability to continue as a going concern, and continued cash losses may risk our status as a going concern. Our consolidated financial statements do not include any adjustments that might be necessary should we be unable to continue as a going concern.

***Our independent registered public accounting firm has expressed doubt about our ability to continue as a going concern.***

The report of our independent registered public accounting firm contains a note stating that the accompanying financial statements have been prepared assuming we will continue as a going concern. At December 31, 2022 and 2021, we had cash and cash equivalents and a short-term investment, collectively, of \$582,776 and \$13,024,381, respectively. However, during the fiscal years ended December 31, 2022 and 2021, we reported a net loss of \$7,089,242 and \$5,908,372, respectively, and used \$5,630,614 and \$662,759 of cash for operations, respectively.

Until we begin generating sufficient revenue, there is a doubt about our ability to continue as a going concern through December 31, 2023.

***We have incurred net losses in prior periods, and there can be no assurance that we will generate income in the future, or that we will be able to successfully achieve or maintain our growth strategy.***

Our ability to achieve profitability will depend upon our ability to generate and sustain substantially increased revenues. We may continue to incur operating losses in the future as we execute our growth strategy. The likelihood that we will generate net income in the future must be considered in light of the difficulties facing the construction and real estate development industry as a whole, economic conditions and the competitive environment in which we operate. Our operating results for future periods are subject to numerous uncertainties, and we may not achieve sufficient revenues to sustain or increase profitability. In addition, we may be unable to successfully achieve or maintain our growth strategy, including our ability to expand into new geographic markets.

***To date we have not generated revenue from SG DevCorp or SG Environmental and there can be no assurance that we will be able to do so in the future.***

In 2021, we formed SG DevCorp. to develop real estate properties and in 2022 we formed SG Environmental to manage waste removal. To date neither subsidiary has generated any revenue from its operations and there can be no assurance that either will do so in the future. Each business is subject to all of the risks associated with a new business.

***An impairment of goodwill could have a material adverse effect on our financial condition and results of operations.***

As December 31, 2022, we had \$1,309,330 of goodwill. We perform an impairment test of our goodwill annually during the fourth quarter of our fiscal year or when events occur or circumstances change that would more-likely-than-not indicate that goodwill might be impaired. Factors that may be considered a change in circumstances, indicating that the carrying value of our goodwill may not be recoverable, include a decline in stock price and market capitalization, reduced future cash flow estimates and slower growth rates in our industry. Our annual impairment tests resulted in no impairment of goodwill during fiscal 2022 and fiscal 2021. Deterioration in estimated future cash flows in our reporting unit could result in further future goodwill impairment. Changes to our business strategy, changes in industry or market conditions, changes in operating performance or other indicators of impairment could cause us to record a significant impairment charge during the period in which the impairment is determined, negatively impacting our results of operations and financial position.

***We will need to raise additional capital to fund our existing operations. If we or our subsidiaries are unable to raise capital when needed, we would be compelled to delay, reduce or eliminate our development or commercialization efforts.***

We expect to incur significant development expenses related to SG DevCorp. operations as well as our other operations. Accordingly, we will need to obtain substantial additional funding in connection with our continuing operations. However, we have estimated our current additional funding needs based on assumptions that may prove to be wrong. Additionally, changing circumstances may cause us to consume capital significantly faster than we currently anticipate, and we may need to spend more money than currently expected because of circumstances beyond our control. Additional capital may not be available to us at such times or in the amounts we need. Even if capital is available, it might be available only on unfavorable terms. Until such time, if ever, as we can generate substantial revenue, we expect to finance our operations through a combination of public or private equity offerings, debt financings, governmental funding, collaborations, strategic partnerships and alliances or marketing, distribution or licensing arrangements with third parties. If access to sufficient capital is not available as and when needed, our business will be materially impaired and we may be required to cease operations, curtail one or more product development or commercialization programs, significantly reduce expenses, sell assets, seek a merger, or joint venture partner, file for protection from creditors or liquidate all our assets.

***Our failure to timely register the shares of our common stock issuable under the Debenture and the Warrant we issued to Peak One Opportunity Fund, L.P. could have a material adverse effect on our business, financial condition, results of operations and cash flows.***

On February 7, 2023, we closed a private placement offering of \$1,100,000 in principal amount of an 8% convertible debenture (the “Debenture”) and a warrant (the “Warrant”) to purchase up to Five Hundred Thousand (500,000) shares of the Company’s common stock, with Peak One Opportunity Fund, L.P. (“Peak One”) for gross proceeds of \$1,000,000. In connection with the Peak One financing, we entered into a registration rights agreement with Peak One where we agreed to file a registration statement within 60 days to register the shares of common stock issuable under the Debenture and the Warrant with the SEC and to use our reasonable best efforts to have the registration statement declared effective within 90 calendar days from the closing of the financing. In the event we were to default on our obligation to register the shares of common stock issuable under the Debenture and the Warrant as agreed, Peak One may, among other things, increase the interest rate applicable to the Debenture to the lesser of eighteen percent (18%) per annum and the maximum interest rate allowable under applicable law and accelerate the immediate payment of the full indebtedness due under the Debenture, in an amount equal to one hundred ten percent (110%) of the then outstanding principal amount and accrued and unpaid interest. The acceleration of the Debenture issued to Peak One could have a material adverse effect on our business, financial condition, results of operations and cash flows.

***We may not have an adequate number of shares of common stock authorized to enable us to complete future equity financing transactions or strategic transactions, which may adversely affect our ability to grow and develop.***

We are authorized to issue 25,000,000 shares of common stock, of which approximately 12,613,978 shares of common stock are issued and outstanding and there are outstanding options and warrants to purchase 36,436 and 2,025,520 shares of common stock, respectively, in addition to 3,212,504 vested and unvested restricted stock units. If all of these securities were exercised it would leave 7,111,562 authorized but unissued shares of common stock.

As a result of our limited number of our authorized and unissued shares of common stock, we may have insufficient shares of common stock available to issue in connection with any future equity financing transactions or strategic transactions we may seek to undertake. Accordingly, we will likely take steps in the near future to increase our number of available shares, which may include seeking stockholder approval of an increase in our authorized number of shares of common stock or a reverse stock split.

## **Risks Relating to our Company**

***Our residential construction business is difficult to evaluate because we changed our business model in June 2021 and have a limited operating history and limited information.***

In 2021 we terminated our licensing business model for our residential construction business in the United States and are currently developing and constructing our own residential developments. In 2019 we had entered into one license agreement for use of our technology for construction of residences in the United States. We terminated this license agreement in June 2021. There is a risk that we will be unable to successfully generate income from our new business model. Although we believe that we will experience increased revenue, there can be no assurance that we will not experience increased costs and generate less income with this new business model than we anticipate. We are subject to many risks associated with currently developing and constructing our own residential developments, such as our dependence upon third parties to provide services and supply required materials. Even if we generate increased revenue as anticipated, there can be no assurance that we will be profitable. We are subject to the risks inherent to the operation of a new business enterprise, and cannot assure you that we will be able to successfully address these risks.

***Our ability to meet our workforce needs is crucial to our results of operations and future sales and profitability.***

We rely on the existence of an available hourly workforce to manufacture our products. We cannot assure you that we will be able to attract and retain qualified employees to meet current or future manufacturing needs at a reasonable cost, or at all. For instance, the demand for skilled employees has increased recently with the low unemployment rates in Oklahoma where we have manufacturing facilities. Also, although none of our employees are currently covered by collective bargaining agreements, we cannot assure you that our employees will not elect to be represented by labor unions in the future. Additionally, competition for qualified employees could require us to pay higher wages to attract a sufficient number of employees. Significant increases in manufacturing workforce costs could materially adversely affect our business, financial condition or results of operations.

***We have a fixed cost base that will affect our profitability if our sales decrease.***

The fixed cost levels of operating SG Echo can put pressure on profit margins when sales and production decline. Our profitability depends, in part, on our ability to spread fixed costs over a sufficiently large number of products sold and shipped, and if we make a decision to reduce our rate of production, gross or net margins could be negatively affected. Consequently, decreased demand or the need to reduce production can lower our ability to absorb fixed costs and materially impact our financial condition or results of operations.

***A material disruption at one of our suppliers' facilities or Echo's facilities could prevent us from meeting customer demand, reduce our sales and negatively affect our overall financial results.***

Any of the following events could cease or limit operations unexpectedly: fires, floods, earthquakes, hurricanes, on-site or off-site environmental incidents or other catastrophes; global pandemic; utility and transportation infrastructure disruptions; labor difficulties; other operational problems; or war, acts of terrorism or other unexpected events. Any downtime or damage at our suppliers' facilities or SG Echo's facilities could prevent us from meeting customer demand for our products or require us to make more expensive purchases from a competing supplier. If our suppliers were to incur significant downtime, our ability to satisfy customer requirements could be impaired, resulting in customers seeking products from other distributors, as well as decreased customer satisfaction and lower sales and operating income.

***A natural disaster, the effects of climate change, or other disruptions at our Echo facility could adversely affect our business, financial condition, and results of operations.***

We rely on the continuous operation of our SG Echo facility in Durant, Oklahoma for the production of our Modules. Any natural disaster or other serious disruption to our facility due to fire, flood, earthquake, or any other unforeseen circumstance would adversely affect our business, financial condition, and results of operations. In addition, adverse weather conditions, such as increased frequency and/or severity of storms, or floods could impair our ability to operate by damaging our facilities and equipment or restricting product delivery to customers. The occurrence of any disruption at our manufacturing facility, even for a short period of time, may have an adverse effect on our productivity and profitability, during and after the period of the disruption. These disruptions may also cause personal injury and loss of life, severe damage to or destruction of property and equipment, and environmental damage. Although we maintain property, casualty, and business interruption insurance of the types and in the amounts that we believe are customary for the industry, we are not fully insured against all potential natural disasters or other disruptions to our manufacturing facility.

***The requirements of being a public company may strain our resources, divert management's attention and affect our ability to attract and retain qualified board members.***

We are subject to the reporting and corporate governance requirements of the Exchange Act, the listing requirements of the Nasdaq Capital Market and other applicable securities rules and regulations, including the Sarbanes-Oxley Act and the Dodd-Frank Act. Compliance with these rules and regulations will increase our legal and financial compliance costs, make some activities more difficult, time-consuming or costly and increase demand on our systems and resources. Among other things, the Exchange Act requires that we file annual, quarterly and current reports with respect to our business and results of operations and maintain effective disclosure controls and procedures and internal control over financial reporting. In order to continue to maintain our disclosure controls and procedures and internal control over financial reporting to meet this standard, significant resources and management oversight may be required. As a result, management's attention may be diverted from other business concerns, which could harm our business, financial condition, results of operations and prospects. We also may need to further expand our legal and finance departments in the future, which will increase our costs and expenses.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time-consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expense and a diversion of management's time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies, regulatory authorities may initiate legal proceedings against us and our business and prospects may be harmed. As a result of disclosure of information in the filings required of a public company, our business and financial condition are more visible, which may result in threatened or actual litigation, including by competitors and other third parties. If such claims are successful, our business, financial condition, results of operations and prospects could be harmed, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and harm our business, financial condition, results of operations and prospects.

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

Our success depends highly upon the personal efforts and abilities of our senior management team, specifically the efforts of Paul M. Galvin, our Chief Executive Officer and Acting Chief Financial Officer and William Rogers, our Chief Operations Officer. The Company has entered into employment agreements with Messrs. Galvin and Rogers. The employment agreements with Messrs. Galvin and Rogers each provide for two-year terms, with automatic renewal after the end of such term. 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, if necessary, attract experienced management personnel.

***The loss of one or a few customers could have a material adverse effect on us.***

A few customers have in the past, and may in the future, account for a significant portion of our revenues in anyone year or over a period of several consecutive years. At December 31, 2022 and 2021, 80% and 78%, respectively, of the our gross accounts receivable were due from one and three customers. Revenue relating to two and three customers represented approximately 65% and 80% of our total revenue for the years ended December 31, 2022 and 2021, respectively. Although we have contractual relationships with many of our significant customers, our customers may unilaterally reduce or discontinue their contracts with us at any time. The loss of business from a significant customer could have a material adverse effect on our business, financial condition, results of operations and cash flows.

*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.

*We currently are, and may in the future be, subject to legal proceedings or investigations, the resolution of which could negatively affect our profitability and cash flows in a particular period.*

The nature of our operations exposes us to possible litigation claims, including disputes relating to our operations and commercial and contractual arrangements. Often the litigation matters are not totally within our control. We will contest these matters vigorously and will make insurance claims where appropriate, but because of the uncertain nature of litigation and coverage decisions, we cannot predict the outcome of these matters. The costs associated with litigation matters could have a material adverse effect on our financial condition and profitability. In addition, our profitability or cash flow in a particular period could be affected by an adverse ruling in any litigation currently pending in the courts or by litigation that may be filed against us in the future. We are also subject to government regulation, which could result in administrative proceedings in the future. For additional information, see "Item 3. Legal Proceedings."

*We may have difficulty protecting our proprietary manufacturing processes, which could adversely affect our ability to compete.*

We use a proprietary manufacturing process that allows us to be code-compliant in our Safe & Green<sup>TM</sup> product. Such manufacturing process is unique to the construction industry and is important to ensure our continued success, and we cannot assure you that our efforts to protect our proprietary rights will be sufficient or effective. If other companies replicate our methodology, we could lose our competitive advantage. Any future patent or trademark applications may not lead to issued patents and registered trademarks in all instances. We also cannot be assured that the scope of any patents issued in the future will be sufficiently broad to offer meaningful protection. Others may develop or patent similar or superior technologies, products or services, and our intellectual property rights may be challenged, invalidated, misappropriated or infringed by others. If we are unable to protect and maintain our intellectual property rights, or if there are any successful intellectual property challenges or infringement proceedings against us, our business and revenue could be materially and adversely affected.

#### **Risks Relating to our Business and Industry**

*Changes in general economic conditions, geopolitical conditions, domestic and foreign trade policies, monetary policies and other factors beyond our control may adversely impact our business and operating results.*

Our operations and performance depend on global, regional and U.S. economic and geopolitical conditions. General worldwide economic conditions have experienced significant instability in recent years including the recent global economic uncertainty and financial market conditions. Russia's invasion and military attacks on Ukraine have triggered significant sanctions from U.S. and European leaders and financial markets around the world experienced volatility following the invasion of Ukraine by Russia in February 2022. Resulting changes in U.S. trade policy and European policies could trigger retaliatory actions by Russia, its allies and other affected countries, including China, resulting in a "trade war." Furthermore, if other countries, including the U.S., become further involved in the conflict, we could face significant adverse effects to our business and financial condition.

The uncertain financial markets, disruptions in supply chains, mobility restraints, and changing priorities as well as volatile asset values could impact our business in the future. The COVID-19 outbreak and government measures taken in response to the pandemic have also had a significant impact, both direct and indirect, on businesses and commerce, as worker shortages have occurred; supply chains have been disrupted; facilities and production have been suspended; and demand for certain goods and services, such as medical services and supplies, have spiked, while demand for other goods and services, such as travel, have fallen. The future progression of the pandemic and its effects on our business and operations are uncertain. In addition, the outbreak of a pandemic could disrupt our operations due to absenteeism by infected or ill members of management or other employees, or absenteeism by members of management and other employees who elect not to come to work due to the illness affecting others in our office or laboratory facilities, or due to quarantines. Pandemics could also impact members of our Board of Directors resulting in absenteeism from meetings of the directors or committees of directors, and making it more difficult to convene the quorums of the full Board of Directors or its committees needed to conduct meetings for the management of our affairs.

Further, due to increasing inflation, operating costs for many businesses including ours have increased and, in the future, could impact demand or pricing of our services or services providers, foreign exchange rates or employee wages. Inflation rates, particularly in the United States, have increased recently to levels not seen in years, and increased inflation may result in increases in our operating costs (including our labor costs), reduced liquidity and limits on our ability to access credit or otherwise raise capital. In addition, the Federal Reserve has raised, and may again raise, interest rates in response to concerns about inflation, which coupled with reduced government spending and volatility in financial markets may have the effect of further increasing economic uncertainty and heightening these risks.

Actual events involving reduced or limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions or other companies in the financial services industry or the financial services industry generally, or concerns or rumors about any events of these kinds, have in the past and may in the future lead to market-wide liquidity problems. For example, on March 10, 2023, Silicon Valley Bank, was closed by the California Department of Financial Protection and Innovation, which appointed the Federal Deposit Insurance Corporation as receiver. Although we did not have any cash or cash equivalent balances on deposit with Silicon Valley Bank, uncertainty and liquidity concerns in the broader financial services industry remain and the failure of Silicon Valley Bank and its potential near- and long-term effects on the biotechnology industry and its participants such as our vendors, suppliers, and investors, may also adversely affect our operations and stock price.

We are actively monitoring the effects these disruptions and increasing inflation could have on our operations.

These conditions make it extremely difficult for us to accurately forecast and plan future business activities.

***We depend on third parties for transportation services, and limited availability or increases in costs of transportation could adversely affect our business and operations.***

Our business depends on the transportation of a large number of products, via railroad or truck. We rely primarily on third parties for transportation of the products we manufacture or distribute and for the delivery of our raw materials. We are also subject to seasonal capacity constraints and weather-related delays for both rail and truck transportation. If any of our third-party transportation providers were to fail to deliver raw materials to us or our Modules to our customers in a timely manner, we may be unable to complete projects in a timely manner and may, among other things, incur penalties for late delivery or be unable to use the Modules as intended. In addition, if any of these third parties were to cease operations or cease doing business with us, we may be unable to replace them at reasonable cost. Any failure of a third-party transportation provider to deliver raw materials to us or finished Modules to our customers in a timely manner could harm our reputation, negatively affect our customer relationships, and have a material adverse effect on our operating results, cash flows, and financial condition. Additionally, an increase in transportation rates or fuel surcharges could adversely affect our sales, profitability, and cash flows.



***Expansion of our operations may strain resources, and our failure to manage growth effectively could adversely impact our operating results and harm our ability to attract and retain key personnel.***

Increased orders for our Modules have placed, and may continue to place, a strain on our operational, financial, and managerial resources and personnel. In addition, execution of our growth strategy will require further substantial capital and effective planning. Significant rapid growth on top of our current operations could greatly strain our internal resources, leading to a lower quality of customer service, reporting problems, and delays, resulting in a loss of market share and other problems that could adversely affect our financial performance. Our efforts to grow could place an additional strain on our personnel, management systems, liquidity, and other resources. If we do not manage our growth effectively, our operations could be adversely affected, resulting in slower, no or negative growth, critical shortages of cash and a failure to achieve or sustain profitability.

***Our clients may adjust, cancel or suspend the contracts in our backlog; as such, our backlog is not necessarily indicative of our future revenues or earnings. In addition, even if fully performed, our backlog is not a good indicator of our future gross margins.***

Backlog represents the total dollar amount of revenues we expect to record in the future as a result of performing work under contracts we have been awarded. Backlog may fluctuate significantly due to the timing of orders or awards for large projects and is not necessarily indicative of future backlog levels or the rate at which backlog will be recognized as revenue. We include in backlog only those contracts for which we have reasonable assurance that the customer can obtain the permits for construction and can fund the construction. As of December 31, 2021, our backlog totaled approximately \$3.2 million and as of December 31, 2022, our backlog totaled approximately \$6.8 million. The increase in backlog at December 31, 2022 from December 31, 2021 is primarily attributable to one contract in the amount of \$5.7 million entered into during 2022. Our backlog is described more in detail in “Note 13 — Construction Backlog” of the notes to our consolidated financial statements included elsewhere in this Annual Report. We cannot provide assurance that our backlog will be realized as revenues in the amounts reported or, if realized, will result in profits. In accordance with industry practice, substantially all of our contracts are subject to cancellation, termination or suspension at our customer’s discretion. In the event of a project cancellation, we generally would not have a contractual right to the total revenue reflected in our backlog. Projects can remain in backlog for extended periods of time because of the nature of the project and the timing of the particular services required by the project. In addition, the risk of contracts in backlog being cancelled or suspended generally increases during periods of widespread economic slowdowns or in response to changes in commodity prices.

The contracts in our backlog are subject to changes in the scope of services to be provided and adjustments to the costs relating to the contracts. The revenue for certain contracts included in backlog is based on estimates. Additionally, our performance of our individual contracts can affect greatly our gross margins and, therefore, our future profitability. We can provide no assurance that the contracts in backlog, assuming they produce revenues in the amounts currently estimated, will generate gross margins at the rates we have realized in the past.

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

We are subject to construction defect and warranty claims arising in the ordinary course of business. These claims are common in the construction industry and can be costly. At this time, our third-party providers offer guarantees and warranties in accordance with industry standards that flow through to our clients. A large number of warranty claims 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 constructed on our behalf 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 negatively affected.

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

The construction industry is 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, the revenues and operating results we derive from customers will fluctuate and we currently expect them to continue to fluctuate in the future. Moreover, we have experienced, and may continue to experience, operating losses during cyclical downturns in the construction market. These and other economic factors could have a material adverse effect on demand for our products and our financial condition and operating results.

***Our business depends on the construction industry and general business, financial market and economic conditions.***

The construction industry is cyclical and significantly affected by changes in general and local economic and real estate conditions, such as employment levels, consumer confidence, demographic trends, housing demand, inflation, deflation, interest rates and credit availability. Changes in these general and local economic conditions or deterioration in the broader economy could negatively impact the level of purchases, capital expenditures and creditworthiness of our indirect customers and suppliers, and, therefore, our royalty income and financial condition, results of operations and cash flows. Changes in these economic conditions may affect some of our regions or markets more than others. If adverse conditions affect our larger markets, they could have a proportionately greater impact on us than on some other companies. In addition, any uncertainty regarding global economic conditions such as raising gas prices may have an adverse effect on the results of operations and financial condition of us or our customers, distributors and suppliers, such as negative effects of currency exchange fluctuations. A shortage of labor in the construction industry could also have an impact on our financial results.

***Our business relies on private investment and a slower than expected economy may adversely affect our results.***

A significant portion of our sales are for projects with non-public owners, such as non-residential builders and home builders who make investments with private funds into their projects. Construction spending is affected by their customers' ability to finance projects, which may be severely reduced due to rising interest rates. Residential and nonresidential construction could decline if companies and consumers are unable to finance construction projects or if the economy slows or is stalled, which could result in delays or cancellations of capital projects. If the economy slows, or if housing starts and nonresidential projects do not increase, sales of our products directly by us to consumers and related services may decline, and our financial position, results of operations and liquidity could be materially adversely affected.

***A material disruption at one of our suppliers' facilities or Echo's facilities could prevent us from meeting customer demand, reduce our sales and negatively affect our overall financial results.***

Any of the following events could cease or limit operations unexpectedly: fires, floods, earthquakes, hurricanes, on-site or off-site environmental incidents or other catastrophes; global pandemic; utility and transportation infrastructure disruptions; labor difficulties; other operational problems; or war, acts of terrorism or other unexpected events. Any downtime or damage at our suppliers' facilities or SG Echo's facilities could prevent us from meeting customer demand for our products or require us to make more expensive purchases from a competing supplier. If our suppliers were to incur significant downtime, our ability to satisfy customer requirements could be impaired, resulting in customers seeking products from other distributors, as well as decreased customer satisfaction and lower sales and operating income.

***Environmental, health and safety laws and regulations and any changes to, or liabilities arising under, such laws and regulations could have a material adverse effect on our financial condition, results of operations and liquidity.***

We are subject to a variety of federal, state and local laws and regulations relating to, among other things: the release or discharge of materials into the environment; the management, use, generation, treatment, processing, handling, storage, transport or disposal of solid and hazardous wastes and materials; and the protection of public and employee health and safety and the environment. These laws and regulations may expose us to liability for the conduct of others or for our actions, even if such actions complied with all applicable laws at the time these actions were taken. These laws and regulations may also expose us to liability for claims of personal injury or property or natural resource damage related to alleged exposure to, or releases of, regulated or hazardous materials. The existence of contamination at properties we own, lease or operate could also result in increased operational costs or restrictions on our ability to use those properties as intended, including for purposes of construction materials distribution. In addition, because our properties are generally situated adjacent to or near industrial companies, our properties may be at an increased risk of having environmental contaminants from other properties spill or migrate onto or otherwise affect our properties.

Despite our compliance efforts, there is an inherent risk of liability in the operation of our business, especially from an environmental standpoint, and, from time to time, we may be in noncompliance with environmental, health and safety laws and regulations. These potential liabilities or non-compliances could have an adverse effect on our operations and profitability. In some instances, we must have government approvals, certificates, permits or licenses in order to conduct our business, which may require us to make significant capital, operating and maintenance expenditures to comply with environmental, health and safety laws and regulations. Our failure to obtain and maintain required approvals, certificates, permits or licenses or to comply with applicable governmental requirements could result in sanctions, including substantial fines or possible revocation of our authority to conduct some or all of our operations. The cost of complying with such laws could have a material adverse effect on our financial condition, results of operations and liquidity.

***Our business may be subject to economic and political risks of operating and obtaining supplies from foreign countries, including adverse impact of changes in international trade and tariff policies.***

We operate in and source some of our products from outside of the United States, and our suppliers may also rely upon non-domestic products. As such, any significant changes to, among other things, the general political and social conditions in foreign countries in which we maintain operations or sourcing relationships, unfavorable changes in U.S. trade legislation and regulation, the outbreak of the COVID-19 coronavirus, the imposition of governmental economic sanctions on countries in which we do business or other trade barriers, threats of war, terrorism or governmental instability, labor disruptions, currency controls, fluctuating exchange rates with respect to contracts not denominated in U.S. dollars and unanticipated or unfavorable changes in government policies with respect to laws and regulations, anti-inflation measures and method of taxation. If we are unable to navigate foreign regulatory environments, or if we are unable to enforce our contract rights in foreign countries, our business could be adversely impacted. Any of these events could interrupt our business and cause operational disruptions, increase our costs of operations, reduce our sales or otherwise have an adverse effect on our operating performance.

The U.S. government has indicated its intent to alter its approach to trade policy, including, in some instances, to revise, renegotiate or terminate certain multilateral trade agreements. It has also imposed new tariffs on certain foreign goods and raised the possibility of imposing additional increases or new tariffs on other goods. Such actions have, in some cases, led to retaliatory trade measures by certain foreign governments. Such policies could make it more difficult or costly for us to do business in or procure products from those countries. In turn, we may need to raise prices or make changes to our operations, which could negatively impact our revenue or operating results. At this time, it remains unclear what additional actions, if any, will be taken by the U.S. government or foreign governments with respect to tariff and international trade agreements and policies, and we cannot predict future trade policy or the terms of any revised trade agreements or any impact on our business.

***Our operating results will be subject to fluctuations and are inherently unpredictable.***

In order to achieve profitability, we will need to generate and sustain higher revenue while maintaining reasonable cost and expense levels. In our most recent quarter, we experienced a loss. We do not know if our revenue will grow, or if it will grow sufficiently to outpace our expenses, which we expect to increase as we expand our operational capacity. We may not be able to become profitable on a quarterly or an annual basis. Our quarterly revenue and operating results will be difficult to predict and have in the past fluctuated from quarter to quarter. The amount, timing and mix of project sales, often for a single medium or large-scale project, may cause large fluctuations in our revenue and other financial results. Further, our revenue mix of high margin materials sales versus lower margin projects can fluctuate dramatically quarter to quarter, which may adversely affect our revenue and financial results in any given period. Finally, our ability to meet project completion schedules for an individual project and the corresponding revenue impact under the percentage-of-completion method of recognizing revenue, may similarly cause large fluctuations in our revenue and other financial results. This may cause us to miss any future guidance announced by us.

We base our planned operating expenses in part on our expectations of future revenue, and a significant portion of our expenses are fixed in the short-term. If revenue for a particular quarter is lower than we expect, we likely will be unable to proportionately reduce our operating expenses for that quarter, which would harm our operating results for that quarter. This may cause us to miss any guidance announced by us.

***Cybersecurity risks related to the technology used in our operations and other business processes, as well as security breaches of company, customer, employee and vendor information, could adversely affect our business.***

We rely on various information technology systems to capture, process, store and report data and interact with customers, vendors and employees. Despite careful security and controls design, as the prevalence of cyber-attacks continues to increase, our information technology systems, and those of our third-party providers, could become subject to increased security threats, such as phishing and malware incidents. Our security measures may be unable to prevent certain security breaches, and any such network, system, data or other breaches could result in misappropriation of sensitive data, transactional errors, theft of funds, business disruptions, loss of or damage to intellectual property, loss of customers and business opportunities, unauthorized access to or disclosure of confidential or personal information (which could cause a breach of applicable data protection legislation), regulatory fines, penalties or intervention, reputational damage, reimbursement or other compensatory costs and additional compliance costs, any of which could have a material adverse effect on our reputation, business, financial condition, results of operations and cash flows.

Because the techniques used to obtain unauthorized access to, or disable, degrade or sabotage, information technologies systems change frequently, and may not be recognized until after they have been launched against a target, we may be unable to anticipate these techniques, implement adequate preventative measures or remediate any breach in a timely or effective manner. In addition, the development and maintenance of preventative or detective measures is costly, and requires ongoing monitoring and updating as technologies change and efforts to circumvent security measures become more sophisticated. As well as incurring additional costs, sophisticated hardware and operating system software and applications that we procure from third parties may contain defects in design or manufacture, including “bugs” and other problems that could unexpectedly interfere with the operation of the systems, or we may be unable to successfully integrate and launch new systems as planned without disruptions to our operations. Misuse of internal applications, theft of intellectual property, trade secrets, funds or other corporate assets and inappropriate disclosure of confidential information could stem from such incidents.

Despite our efforts, we remain potentially vulnerable to cyber-attacks and security breaches, and any such attack or breach could adversely affect our reputation, business, financial condition or results of operations.

***We could suffer adverse tax and other financial consequences if we are unable to utilize our net operating loss carryforwards.***

At December 31, 2022, we had tax net operating loss carry forwards totaling approximately \$30.2 million. The net operating loss expires beginning 2030 through 2037 for those losses generated in 2017 and prior years. Approximately \$18 million of such net operating losses will carry forward indefinitely and be available to offset up to 80% of future taxable income each year. During 2020, the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”) was passed, which temporarily removes such 80% limitation for years 2020 and 2019. At December 31, 2022, we had a valuation allowance of approximately \$9.7 million, primarily related to net operating loss carry forwards that are not more likely than not to be utilized due to an inability to carry back these losses in most states and short carry forward periods that exist in certain states. If we are unable to use our net operating losses, we may be required to record charges or reduce our deferred tax assets, which could have an adverse effect on our results of operations.

## **Risks Relating to the Construction Sector**

***We are dependent upon third-party financing, and our financial condition and results of operations could be negatively affected if additional third-party financing for our customers does not become available***

Our business and earnings depend substantially on our ability to obtain financing for the development of their construction projects which may be adversely impacted by rising interest rates. 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 any potential privately financed licensees 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, which 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 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 customers cannot obtain suitable financing, our sales and results of operations would be adversely affected.

***The construction industry is highly competitive, and such competition may increase the adverse effects of industry conditions including the consolidation of the industry.***

We operate in a very competitive environment characterized by competition from numerous local, regional and national builders. We may compete for financing, raw materials and skilled management and labor resources. A decline in construction starts 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. We may be unable to successfully expand into or compete in the markets in new geographic areas. In addition, while we believe our ESR may improve our competitive position by potentially expediting reviews and approvals by state and local building departments and certifying our specific quality control and design acceptance criteria, there is no assurance that it will have the desired impact.

***There can be no assurance that Modules or modular construction techniques that utilize our technology and expertise will achieve market acceptance and grow; thus, the future of our business and the modular construction industry as a whole is uncertain.***

There can be no assurance that we will achieve market acceptance for our technology and expertise or that the modular construction market will grow. Our business may be disrupted by the introduction of new products and services and is subject to changing consumer preferences and industry trends, which may adversely affect our ability to plan for the future development and marketing of our products. Although Modules have particular applications in a wide variety of market segments, there is no assurance that we will be able to expand our relationship within such market segments or, even if we do, that general market acceptance for our technology and expertise or Modules will continue to increase.

***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 industry. 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 state and local legislation in the United States 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 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 the ones described, they could adversely affect 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.

***The dangers inherent in our operations, such as disruptions to our facilities and project sites, and the limits on insurance coverage could expose us to potentially significant liability costs and materially interfere with the performance of our operations.***

While we believe our insurance coverage is adequate and in line with our industry's standards, all construction, including modular construction, involves operating hazards that can cause personal injury or loss of life, severe damage to and destruction of property and equipment and suspension of operations, including, but not limited to, natural or man-made disruptions to our facilities and project sites. The failure of such structures during and after installation can result in similar injuries and damages. Although we believe that our insurance coverage is adequate, there can be no assurance that we will be able to maintain adequate insurance in the future at rates we consider reasonable, or that our insurance coverage will be adequate to cover future claims that may arise. Claims for which we are not fully insured may adversely affect our working capital and profitability. In addition, changes in the insurance industry have generally led to higher insurance costs and decreased availability of coverage. The availability of insurance that covers risks we and our competitors typically insure against may decrease, and the insurance that we are able to obtain may have higher deductibles, higher premiums and more restrictive policy terms.

#### **Risks Relating to SG DevCorp.**

***The long-term sustainability of SG DevCorp.'s operations as well as future growth depends in part upon SG DevCorp.'s ability to acquire land parcels suitable for residential projects at reasonable prices.***

The long-term sustainability of SG DevCorp.'s operations, as well as future growth, depends in large part on the price at which it is able to obtain suitable land parcels for development or homebuilding operations. SG DevCorp.'s ability to acquire land parcels for various residential projects may be adversely affected by changes in the general availability of land parcels, the willingness of land sellers to sell land parcels at reasonable prices, competition for available land parcels, availability of financing to acquire land parcels, zoning, regulations that limit housing density, the ability to obtain building permits, environmental requirements and other market conditions and regulatory requirements. If suitable lots or land at reasonable prices become less available, the number of units SG DevCorp. may be able to build and sell could be reduced, and the cost of land could be increased substantially, which could adversely impact it. As competition for suitable land increases, the cost of undeveloped lots and the cost of developing owned land could also rise and the availability of suitable land at acceptable prices may decline, which could adversely impact it. The availability of suitable land assets could also affect the success of SG DevCorp.'s land acquisition strategy, which may impact SG DevCorp.'s ability to maintain or increase the number of active communities, as well as to sustain and grow its revenues and margins, and achieve or maintain profitability. Additionally, developing undeveloped land is capital intensive and time consuming and SG DevCorp. may develop land based upon forecasts and assumptions that prove to be inaccurate, resulting in projects that are not economically viable.

***SG DevCorp. operates in a highly competitive market for investment opportunities, and SG DevCorp. may be unable to identify and complete acquisitions of real property assets.***

The housing industry is highly competitive, and SG DevCorp. faces competition from many sources, including from other housing communities both in the immediate vicinity and the geographic market where SG DevCorp.'s properties are and will be located. Furthermore, housing communities SG DevCorp. invests in compete, or will compete, with numerous housing alternatives in attracting residents, including owner occupied single and multifamily homes available to rent or purchase. Increased competition may prevent SG DevCorp. from acquiring attractive land parcels or make such acquisitions more expensive, hinder SG DevCorp.'s market share expansion, or lead to pricing pressures that may adversely impact its margins and revenues. Competitors may independently develop land and construct housing units that are superior or substantially similar to SG DevCorp.'s products and because they are or may be significantly larger, have a longer operating history, and have greater resources or lower cost of capital than it, may be able to compete more effectively in one or more of the markets in which SG DevCorp. operates or plans to operate.

SG DevCorp. will also compete with public and private funds, commercial and investment banks, commercial financing companies and public and private REITs to make certain of the investments that it plans to make. Many of such competitors are substantially larger and have considerably greater financial, technical and marketing resources than it. In addition, some of SG DevCorp.'s competitors may have higher risk tolerances or different risk assessments, allowing them to pay higher consideration, consider a wider variety of investments and establish more effective relationships than it.

These competitive conditions could adversely affect SG DevCorp.'s ability to make investments. Moreover, SG DevCorp.'s ability to close transactions will be subject to its ability to access financing within stipulated contractual time frames, and there is no assurance that it will have access to such financing on terms that are favorable to it, if at all.

***SG DevCorp.'s property portfolio has a high concentration of properties located in certain states.***

To date, SG DevCorp.'s properties are located in Georgia, Texas and Oklahoma. Certain of SG DevCorp.'s properties are located in areas that may experience catastrophic weather and other natural events from time to time, including hurricanes or other severe weather, flooding fires, snow or ice storms, windstorms or earthquakes. These adverse weather and natural events could cause substantial damages or losses to SG DevCorp.'s properties which could exceed its insurance coverage. In the event of a loss in excess of insured limits, SG DevCorp. could lose its capital invested in the affected property, as well as anticipated future revenue from that property. SG DevCorp. could also continue to be obligated to repay any mortgage indebtedness or other obligations related to the property. Any such loss could materially and adversely affect SG DevCorp.'s business and its financial condition and results of operations.

To the extent that significant changes in the climate occur, SG DevCorp. may experience extreme weather and changes in precipitation and temperature and rising sea levels, all of which may result in physical damage to or a decrease in demand for properties located in these areas or affected by these conditions. Should the impact of climate change be material in nature, including destruction of SG DevCorp.'s properties, or occur for lengthy periods of time, SG DevCorp.'s financial condition or results of operations may be adversely affected. In addition, changes in federal and state legislation and regulation on climate change could result in increased capital expenditures to improve the energy efficiency of SG DevCorp.'s existing properties or to protect them from the consequence of climate change.

***There can be no assurance that the properties in SG DevCorp.'s development pipeline will be completed in accordance with the anticipated timing or cost.***

The development of the projects in SG DevCorp.'s pipeline is subject to numerous risks, many of which are outside of SG DevCorp.'s control, including:

- inability to obtain entitlements;
- inability to obtain financing on acceptable terms;
- default by any of the contractors it engages to construct SG DevCorp.'s projects;
- site accidents; and
- failure to secure tenants or residents in the anticipated time frame, on acceptable terms, or at all.



SG DevCorp. can provide no assurances that it will complete any of the projects in SG DevCorp.'s development pipeline on the anticipated schedule or within the budget, or that, once completed, these properties will achieve the results that it expects. If the development of these projects is not completed in accordance with SG DevCorp.'s anticipated timing or cost, or the properties fail to achieve the financial results it expects, it could have a material adverse effect on SG DevCorp.'s business, financial condition, results of operations and cash flows and ability to repay SG DevCorp.'s debt, including project-related debt.

***SG DevCorp.'s insurance coverage on its properties may be inadequate to cover any losses it may incur and its insurance costs may increase.***

SG DevCorp. maintains insurance on its properties. However, there are certain types of losses, generally of a catastrophic nature, such as floods or acts of war or terrorism that may be uninsurable or not economical to insure. Further, insurance companies often increase premiums, require higher deductibles, reduce limits, restrict coverage, and refuse to insure certain types of risks, which may result in increased costs or adversely affect SG DevCorp.'s business. SG DevCorp. uses its discretion when determining amounts, coverage limits and deductibles, for insurance, based on retaining an acceptable level of risk at a reasonable cost. This may result in insurance coverage that, in the event of a substantial loss, would not be sufficient to pay the full current market value or current replacement cost of SG DevCorp.'s lost investment. In addition, SG DevCorp. may become liable for injuries and accidents at SG DevCorp.'s properties that are underinsured. A significant uninsured loss or increase in insurance costs could materially and adversely affect SG DevCorp.'s business, liquidity, financial condition and results of operations.

***SG DevCorp. may not be able to secure sufficient modular units to complete its developments using modules built by SG Echo***

SG DevCorp. intend to construct many of its planned developments using modules built by SG Holdings subsidiary, SG Echo, and to rely on SG Holdings and SG Echo as the sole source of the modular units used in its projects. SG Holdings has a \$6,810,762 backlog of signed construction and engineering contracts in existence at December 31, 2022 on which work has not yet begun. SG DevCorp.'s ability to complete its modular developments will be limited to the available capacity of the SG Echo facility. If SG DevCorp. is unable to secure sufficient modular units to complete its developments using modules built by SG Echo, its business, prospects, financial condition, results of operations, and cash flows would be materially and adversely affected.

***SG DevCorp.'s operating results may be negatively affected by potential development and construction delays and resultant increased costs and risks.***

SG DevCorp. has acquired properties upon which it will construct improvements. In connection with SG DevCorp.'s development activities, it is subject to uncertainties associated with re-zoning for development, environmental concerns of governmental entities or community groups and SG DevCorp.'s contractor's or partner's ability to build in conformity with plans, specifications, budgeted costs, and timetables. Performance also may be affected or delayed by conditions beyond its control. SG DevCorp. may incur additional risks when it makes periodic progress payments or other advances to builders before they complete construction. If a builder or development partner fails to perform, SG DevCorp. may resort to legal action to rescind the purchase or the construction contract or to compel performance, but there can be no assurance any legal action would be successful. These and other factors can result in increased costs of a project or loss of SG DevCorp.'s investment. In addition, SG DevCorp. will be subject to normal lease-up risks relating to newly constructed projects. SG DevCorp. also must rely on rental income and expense projections and estimates of the fair market value of property upon completion of construction when agreeing upon a price at the time it acquires the property. If SG DevCorp.'s projections are inaccurate, SG DevCorp. may pay too much for a property, and its return on its investment could suffer.

***SG DevCorp. relies on third-party suppliers and long supply chains, and if it fails to identify and develop relationships with a sufficient number of qualified suppliers, or if there is a significant interruption in its supply chains, SG DevCorp.'s ability to timely and efficiently access raw materials that meet its standards for quality could be adversely affected.***

SG DevCorp.'s ability to identify and develop relationships with qualified suppliers who can satisfy its standards for quality and its need to access products and supplies in a timely and efficient manner will be a significant challenge. SG DevCorp. may be required to replace a supplier if their products do not meet its quality or safety standards. In addition, SG DevCorp.'s suppliers could discontinue selling products at any time for reasons that may or may not be in its control or the suppliers' control. SG DevCorp.'s operating results and inventory levels could suffer if it is unable to promptly replace a supplier who is unwilling or unable to satisfy its requirements with a supplier providing similar products. SG DevCorp.'s suppliers' ability to deliver products may also be affected by financing constraints caused by credit market conditions, which could negatively impact its revenue and costs, at least until alternate sources of supply are arranged.

***The construction of manufacturing facilities involves significant risks.***

SG DevCorp. has limited experience constructing manufacturing facilities and doing so is a complex and lengthy undertaking that requires sophisticated, multi-disciplinary planning and precise execution. The construction of manufacturing facilities is subject to a number of risks. In particular, the construction costs may materially exceed budgeted amounts, which could adversely affect SG DevCorp.'s results of operations and financial condition. For example, SG DevCorp. may suffer construction delays or cost overruns as a result of a variety of factors, such as labor and material shortages, defects in materials and workmanship, adverse weather conditions, transportation constraints, construction change orders, site changes, labor issues and other unforeseen difficulties, any of which could delay or prevent the completion of SG DevCorp.'s planned facilities. While SG DevCorp.'s goal is to negotiate contracts with engineering, procurement and construction firms that minimize risk, any delays or cost overruns it encounters may result in the renegotiation of SG DevCorp.'s construction contracts, which could increase its costs.

In addition, the construction of manufacturing facilities may be subject to the receipt of approvals and permits from various regulatory agencies. Such agencies may not approve the projects in a timely manner or may impose restrictions or conditions on a production facility that could potentially prevent construction from proceeding, lengthen its expected completion schedule and/or increase its anticipated cost. If construction costs are higher than it anticipates, SG DevCorp. may be unable to achieve its expected investment return, which could adversely affect its business and results of operations.

***Discovery of previously undetected environmentally hazardous conditions may adversely affect SG DevCorp.'s operating results.***

SG DevCorp. is subject to various federal, state and local laws and regulations that (a) regulate certain activities and operations that may have environmental or health and safety effects, such as the management, generation, release or disposal of regulated materials, substances or wastes, (b) impose liability for the costs of cleaning up, and damages to natural resources from, past spills, waste disposals on and off-site, or other releases of hazardous materials or regulated substances, and (c) regulate workplace safety. Compliance with these laws and regulations could increase SG DevCorp.'s operational costs. Violation of these laws may subject SG DevCorp. to significant fines, penalties or disposal costs, which could negatively impact its results of operations, financial position and cash flows. Under various federal, state and local environmental laws, a current or previous owner or operator of currently or formerly owned, leased or operated real property may be liable for the cost of removal or remediation of hazardous or toxic substances on, under or in such property. The costs of removal or remediation could be substantial. Such laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. Accordingly, SG DevCorp. may incur significant costs to defend against claims of liability, to comply with environmental regulatory requirements, to remediate any contaminated property, or to pay personal injury claims.

Moreover, environmental laws also may impose liens on property or other restrictions on the manner in which property may be used or businesses may be operated, and these restrictions may require substantial expenditures or prevent SG DevCorp. or its lessees from operating such properties. Compliance with new or more stringent laws or regulations or stricter interpretation of existing laws may require SG DevCorp. to incur material expenditures. Future laws, ordinances or regulations or the discovery of currently unknown conditions or non-compliances may impose material liability under environmental laws.

***Legislative, regulatory, accounting or tax rules, and any changes to them or actions brought to enforce them, could adversely affect SG DevCorp.***

SG DevCorp. is subject to a wide range of legislative, regulatory, accounting and tax rules. The costs and efforts of compliance with these laws, or of defending against actions brought to enforce them, could adversely affect SG DevCorp. In addition, if there are changes to the laws, regulations or administrative decisions and actions that affect SG DevCorp., SG DevCorp. may have to incur significant expenses in order to comply, or SG DevCorp. may have to restrict or change its operations.

SG DevCorp. has invested, and expect to continue to invest, in real property assets which are subject to laws and regulations relating to the protection of the environment and human health and safety. These laws and regulations generally govern wastewater discharges, noise levels, air emissions, the operation and removal of underground and above-ground storage tanks, the use, storage, treatment, transportation and disposal of solid and hazardous materials and the remediation of contamination associated with disposals. Environmental laws and regulations may impose joint and several liabilities on tenants, owners or operators for the costs to investigate and remediate contaminated properties, regardless of fault or whether the acts causing the contamination were legal. This liability could be substantial. In addition, the presence of hazardous substances, or the failure to properly remediate these substances, could adversely affect SG DevCorp.'s ability to sell, rent or pledge an affected property as collateral for future borrowings. SG DevCorp. intends to take commercially reasonable steps when it can to protect itself from the risks of environmental law liability; however, SG DevCorp. may not obtain independent third-party environmental assessments for every property it acquires. In addition, any such assessments that it does obtain may not reveal all environmental liabilities, or whether a prior owner of a property created a material environmental condition not known to it. In addition, there are various local, state and federal fire, health, safety and similar regulations with which SG DevCorp. may be required to comply, and that may subject it to liability in the form of fines or damages. In all events, the existing condition of land when SG DevCorp. buys it, operations in the vicinity of its properties or activities of unrelated third parties could all affect its properties in ways that lead to costs being imposed on it.

Any material expenditures, fines, damages or forced changes to SG DevCorp.'s business or strategy resulting from any of the above could adversely affect its financial condition and results of operations.

***SG DevCorp.'s business, results of operations, cash flows and financial condition are greatly affected by the performance of the real estate industry.***

The U.S. real estate industry is highly cyclical and is affected by global, national and local economic conditions, general employment and income levels, availability of financing, interest rates, and consumer confidence and spending. Other factors impacting real estate businesses include over-building, changes in traffic patterns, changes in demographic conditions, changes in tenant and buyer preferences and changes in government requirements, including tax law changes. These factors are outside of SG DevCorp.'s control and may have a material adverse effect on its business, profits and the timing and amounts of its cash flows.

***SG DevCorp.'s industry is cyclical and adverse changes in general and local economic conditions could reduce the demand for housing and, as a result, could have a material adverse effect on us.***

SG DevCorp.'s business can be substantially affected by adverse changes in general economic or business conditions that are outside of its control, including changes in short-term and long-term interest rates; employment levels and job and personal income growth; housing demand from population growth, household formation and other demographic changes, among other factors; availability and pricing of mortgage financing for homebuyers; consumer confidence generally and the confidence of potential homebuyers in particular; consumer spending; financial system and credit market stability; private party and government mortgage loan programs (including changes in FHA, USDA, VA, Fannie Mae and Freddie Mac conforming mortgage loan limits, credit risk/mortgage loan insurance premiums and/or other fees, down payment requirements and underwriting standards), and federal and state regulation, oversight and legal action regarding lending, appraisal, foreclosure and short sale practices; federal and state personal income tax rates and provisions, including provisions for the deduction of mortgage loan interest payments, real estate taxes and other expenses; supply of and prices for available new or resale multifamily units; interest of financial institutions or other businesses in purchases; and real estate taxes. Adverse changes in these conditions may affect SG DevCorp.'s business nationally or may be more prevalent or concentrated in particular submarkets in which it operates. Inclement weather, natural disasters (such as earthquakes, hurricanes, tornadoes, floods, prolonged periods of precipitation, droughts, and fires), other calamities and other environmental conditions can delay the delivery of its units and/or increase its costs. Civil unrest or acts of terrorism can also have a negative effect on its business. If the housing industry experiences a significant or sustained downturn, it would materially adversely affect SG DevCorp.'s business and results of operations in future years. The potential difficulties described above can cause demand and prices for SG DevCorp.'s units to fall or cause it to take longer and incur more costs to develop the land and build its units. SG DevCorp. may not be able to recover these increased costs by raising prices because of market conditions.

***Fluctuations in real estate values may require SG DevCorp. to write-down the book value of its real estate assets.***

The housing and land development industries are subject to significant variability and fluctuations in real estate values. As a result, SG DevCorp. may be required to write-down the book value of SG DevCorp.'s real estate assets in accordance with GAAP, and some of those write-downs could be material. Any material write-downs of assets could have a material adverse effect on SG DevCorp.'s business, prospects, liquidity, financial condition, and results of operations. In addition, valuations of real estate properties do not necessarily represent the price at which a willing buyer would purchase such property; therefore, there can be no assurance that SG DevCorp. would realize the values underlying estimated valuations of SG DevCorp.'s properties if it were to sell such properties.

***Inflation could adversely affect SG DevCorp.'s business and financial results.***

Inflation could adversely affect SG DevCorp.'s business and financial results by increasing the costs of land, raw materials and labor needed to operate SG DevCorp.'s business. If SG DevCorp.'s markets have an oversupply of housing, relative to demand, SG DevCorp. may be unable to offset any such increases in costs with corresponding higher sales prices for its units or buildings. Inflation may also accompany higher interest rates, which could adversely impact potential customers' ability to obtain financing on favorable terms, thereby further decreasing demand. If SG DevCorp. is unable to raise the prices of its units or buildings to offset the increasing costs of its operations, its margins could decrease. Furthermore, if SG DevCorp. needs to lower the price of its units to meet demand, the value of its land inventory may decrease. Inflation may also raise SG DevCorp.'s costs of capital and decrease its purchasing power, making it more difficult to maintain sufficient funds to operate its business.

***SG DevCorp. could be impacted by its investments through joint ventures, which involve risks not present in investments in which SG DevCorp. is the sole owner.***

SG DevCorp. has and may continue to fund development projects through the use of joint ventures. Joint ventures involve risks including, but not limited to, the possibility that the other joint venture partners may possess the ability to take or force action contrary to its interests or withhold consent contrary to its requests, have business goals which are or become inconsistent with SG DevCorp.'s or default on their financial obligations to the joint venture, which may require it to fulfill the joint venture's financial obligations as a legal or practical matter. SG DevCorp. and its joint venture partners may each have the right to initiate a buy-sell arrangement, which could cause it to sell its interest, or acquire a joint venture partner's interest, at a time when it otherwise would not have entered into such a transaction. In addition, a sale or transfer by it to a third party of its interests in the joint venture may be subject to consent rights or rights of first refusal in favor of its partners which would restrict SG DevCorp.'s ability to dispose of its interest in the joint venture. Each joint venture agreement is individually negotiated, and its ability to operate, finance, or dispose of a joint venture project in its sole discretion is limited to varying degrees depending on the terms of the applicable joint venture agreement.

***Risks associated with SG DevCorp.'s land and lot inventories could adversely affect its business or financial results.***

Risks inherent in controlling, purchasing, holding, and developing land are substantial. The risks inherent in purchasing and developing land parcels increase as consumer demand for housing decreases and the holding period increases. As a result, SG DevCorp. may buy and develop land parcels on which housing units cannot be profitably built and sold. In certain circumstances, a grant of entitlements or development agreement with respect to a particular parcel of land may include restrictions on the transfer of such entitlements to a buyer of such land, which could negatively impact the price of such entitled land by restricting its ability to sell it for its full entitled value. In addition, inventory carrying costs can be significant and can result in reduced margins or losses in a poorly performing community or market. The time and investment required for development may adversely impact its business. In the event of significant changes in economic or market conditions, SG DevCorp. may have to sell units or buildings at significantly lower margins or at a loss, if SG DevCorp. is able to sell them at all. Additionally, deteriorating market conditions could cause SG DevCorp. to record significant inventory impairment charges. The recording of a significant inventory impairment could negatively affect its reported earnings per share and negatively impact the market perception of its business.

***SG DevCorp. may not be able to sell its real property assets when it desires.***

Investments in real property are relatively illiquid compared to other investments. Accordingly, SG DevCorp. may not be able to sell real property assets when it desires or at prices acceptable to it. This could substantially reduce the funds available for satisfying its obligations, including any debt obligations.

*Access to financing sources may not be available on favorable terms, or at all, which could adversely affect SG DevCorp.'s ability to maximize its returns.*

SG DevCorp.'s access to third-party sources of financing will depend, in part, on:

- general market conditions;
- the market's perception of its growth potential;
- with respect to acquisition and/or development financing, the market's perception of the value of the land parcels to be acquired and/or developed;
- its current debt levels;
- its current and expected future earnings;
- its cash flow; and
- if applicable, the market price per share of its common stock.

The global credit and equity markets and the overall economy can be extremely volatile, which could have a number of adverse effects on SG DevCorp.'s operations and capital requirements. For the past decade, the domestic financial markets have experienced a high degree of volatility, uncertainty and, during certain periods, tightening of liquidity in both the high yield debt and equity capital markets, resulting in certain periods where new capital has been both more difficult and more expensive to access. If SG DevCorp. is unable to access the credit markets, it could be required to defer or eliminate important business strategies and growth opportunities in the future. In addition, if there is volatility and weakness in the capital and credit markets, potential lenders may be unwilling or unable to provide SG DevCorp. with financing that is attractive to it or may increase collateral requirements or may charge us prohibitively high fees in order to obtain financing. Consequently, SG DevCorp.'s ability to access the credit market in order to attract financing on reasonable terms may be adversely affected. Investment returns on SG DevCorp.'s assets and its ability to make acquisitions could be adversely affected by its inability to secure additional financing on reasonable terms, if at all. Depending on market conditions at the relevant time, SG DevCorp. may have to rely more heavily on additional equity financings or on less efficient forms of debt financing that require a larger portion of its cash flow from operations, thereby reducing funds available for SG DevCorp.'s operations, future business opportunities and other purposes. SG DevCorp. may not have access to such equity or debt capital on favorable terms at the desired times, or at all.

***We may not achieve some or all of the expected benefits of the Separation and Distribution, and the Separation and Distribution may materially adversely affect our business.***

We may not be able to achieve the full strategic and financial benefits expected to result from the Separation and Distribution, or such benefits may be delayed or not occur at all. The Separation and Distribution is expected to provide the following benefits, among others: (1) enabling SG DevCorp.'s management to more effectively pursue its own distinct operating priorities and strategies; (2) permitting SG DevCorp. to allocate its financial resources to meet the unique needs of its business, which will allow SG DevCorp. to intensify our focus on its distinct strategic priorities and to more effectively pursue its own distinct capital structure and capital allocation strategies; (3) allowing SG DevCorp. to more effectively articulate a clear investment thesis to attract a long-term investor base suited to its respective business and providing investors with a distinct and targeted investment opportunity; (4) creating an independent equity security tracking SG DevCorp.'s underlying business, which should afford direct access to the capital markets and facilitate SG DevCorp.'s ability to consummate future acquisitions or other transactions using its common stock; and (5) permitting SG DevCorp. to more effectively recruit, retain and motivate employees through the use of stock-based compensation that more closely aligns management and employee incentives with specific business goals and objectives related to its business.

We may not achieve these and other anticipated benefits for a variety of reasons, including, among others: (1) the Separation and Distribution will demand management's time and effort, which may divert management's attention from operating and growing our business; (2) following the Separation and Distribution, SG DevCorp. may be more susceptible to market fluctuations and other adverse events than if it were still a part of the Company because its business will be less diversified than the Company's business prior to the completion of the Separation; (3) the Separation may require us to pay costs that could be substantial and material to our financial resources, including accounting, tax, legal and other professional services costs, recruiting costs, and tax costs; and (4) after the Separation and Distribution, we cannot predict the trading prices of SG DevCorp.'s common stock or know whether the combined trading prices of the Company's common stock and SG DevCorp.'s common stock will be less than, equal to or greater than the market value of the Company's common stock prior to the Separation and Distribution. If we fail to achieve some or all of the benefits expected to result from the Separation, or if such benefits are delayed, it could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

***The Company's plan to separate into two publicly traded companies is subject to various risks and uncertainties and may not be completed in accordance with the expected plans or anticipated timeline, or at all, and will involve significant time and expense, which could disrupt or adversely affect our business.***

In December 2022, the Company announced its plan to separate into two publicly traded companies. The Separation and Distribution is subject to the satisfaction of certain conditions (or waiver by the Company in its sole and absolute discretion), including final approval by the Company's Board of Directors of the final terms of the Separation and Distribution. Furthermore, unanticipated developments or changes, including changes in the law, the macroeconomic environment, competitive conditions of the Company's markets could delay or prevent the completion of the proposed Separation and Distribution, or cause the Separation and Distribution to occur on terms or conditions that are different or less favorable than expected.

The process of completing the proposed Separation and Distribution has been and is expected to continue to be time-consuming and involves significant costs and expenses. The costs may be significantly higher than what we currently anticipate and may not yield a discernible benefit if the Separation and Distribution is not completed or is not well executed, or the expected benefits of the Separation and Distribution are not realized.

#### ***Risks Relating to the Medical Sector***

***We are dependent on the availability and skill of subcontractors, their willingness to work with us as the clinical operators of our medical modules, and their expertise in the medical industry.***

We have relied and expect to continue to rely on subcontractors to perform medical services as the clinical operators and staffers of our medical modules. The inability to contract with skilled subcontractors at reasonable costs and on a timely basis could erode our profit margins and adversely affect our results of operations and cash flows.

## Risks Relating to our Common Stock

### *Our failure to meet the continued listing requirements of the Nasdaq Capital Market could result in a delisting of our common stock.*

Our common stock is listed on the Nasdaq Capital Market (“Nasdaq” or the “Nasdaq Capital Market”), which imposes, among other requirements, a minimum bid requirement. Although we are currently in compliance with the continued listing requirements of the Nasdaq Capital Market in the past we have experienced periods of time when we were not compliant with the minimum bid price requirements and, there can be no assurance that we will be able to maintain compliance in the future.

The delisting of our common stock from Nasdaq may make it more difficult for us to raise capital on favorable terms in the future, or at all. Such a delisting would likely have a negative effect on the price of our common stock and would impair your ability to sell or purchase our common stock when you wish to do so. Further, if our common stock were to be delisted from Nasdaq, our common stock would cease to be recognized as a covered security, and we would be subject to additional regulation in each state in which we offer our securities. Moreover, there is no assurance that any actions that we take to restore our compliance with the Nasdaq minimum bid requirement would stabilize the market price or improve the liquidity of our common stock, prevent our common stock from falling below the Nasdaq minimum bid price required for continued listing again or prevent future non-compliance with Nasdaq’s listing requirements.

There can be no assurance that we will continue to meet the minimum bid price requirement, or any other requirement in the future. If we fail to meet the minimum bid price requirement, or other applicable Nasdaq listing requirements, including maintaining minimum levels of stockholders’ equity or market values of our common stock, our common stock could be delisted. Delisting from Nasdaq would cause us to pursue eligibility for trading of our common stock on other markets or exchanges, or on an over-the-counter market. In such case, our stockholders’ ability to trade or obtain quotations of the market value of our common stock would be severely limited because of lower trading volumes and transaction delays. These factors could contribute to lower prices and larger spreads in the bid and ask prices of these securities. There can be no assurance that our common stock, if delisted from the Nasdaq, would be listed on a national securities exchange, a national quotation service or the over-the-counter markets. Delisting from the Nasdaq could also result in negative publicity, make it more difficult for us to raise additional capital, adversely affect the market liquidity of our common stock, decrease securities analysts’ coverage of us or diminish investor, supplier and employee confidence. In addition, our stock could become a “penny stock,” which would make trading of our common stock more difficult.

***Our stock price has been subject to fluctuations in the past, has recently been volatile, and will likely continue to be subject to fluctuations and decline, due to factors beyond our control, and investors in our common stock may lose all or part of their investment in our company.***

The trading price of our common stock has been and is expected to continue to be volatile and has been and may continue to be subject to wide fluctuations in response to various factors, some of which are beyond our control, including limited trading volume. On March 15, 2023, the reported low sale price of our common stock was \$0.86, the reported high sale price was \$0.95 and closing price of our common stock was \$0.87 while on June 30, 2022, the closing price of our common stock was \$1.66. We may incur rapid and substantial decreases in our stock price in the foreseeable future that are unrelated to our operating performance for prospects. In addition to the factors discussed in this “Risk Factors” section and elsewhere in this Annual Report, these factors include:

- economic and market conditions or trends in our industry or the economy as a whole and, in particular, in the construction industry;
- additions or departures of key personnel;
- operating results that fall below expectations;
- industry developments;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- material litigation or government disputes;
- the public’s response to press releases or other public announcements by us or third parties, including our filings with the SEC;
- changes in financial estimates or recommendations by any securities analysts who follow our common stock;
- the size of our market float and potential dilution due to the exercise of outstanding options and warrants;
- future sales of our common stock by our officers, directors and significant stockholders, including sales pursuant to a registration statement filed to permit a significant stockholder to sell shares of our common stock, pursuant to certain registration rights granted to such stockholder;
- other events or factors, including those resulting from such events, or the prospect of such events, including war, terrorism and other international conflicts, public health issues including health epidemics or pandemics, such as the recent outbreak of the COVID-19 novel coronavirus, and natural disasters such as fire, hurricanes, earthquakes, tornados or other adverse weather and climate conditions, whether occurring in the United States or elsewhere, could disrupt our operations, disrupt the operations of our suppliers or result in political or economic instability; 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. Since the stock price of our common stock has fluctuated in the past, has recently been volatile and will likely be volatile in the future, investors in our common stock may lose all or part of their investment in our company. In the past, stockholders have instituted securities class action litigation following periods of market volatility. If we were to become involved in securities litigation, we could incur substantial costs and our resources and the attention of management could be diverted from our business.



***The requirements of being a public company may strain our resources, divert management's attention and affect our ability to attract and retain qualified board members.***

We are subject to the reporting and corporate governance requirements of the Exchange Act, the listing requirements of the Nasdaq Capital Market and other applicable securities rules and regulations, including the Sarbanes-Oxley Act and the Dodd-Frank Act. Compliance with these rules and regulations will increase our legal and financial compliance costs, make some activities more difficult, time-consuming or costly and increase demand on our systems and resources. Among other things, the Exchange Act requires that we file annual, quarterly and current reports with respect to our business and results of operations and maintain effective disclosure controls and procedures and internal control over financial reporting. In order to continue to maintain our disclosure controls and procedures and internal control over financial reporting to meet this standard, significant resources and management oversight may be required. As a result, management's attention may be diverted from other business concerns, which could harm our business, financial condition, results of operations and prospects. We also may need to further expand our legal and finance departments in the future, which will increase our costs and expenses.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time-consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expense and a diversion of management's time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies, regulatory authorities may initiate legal proceedings against us and our business and prospects may be harmed. As a result of disclosure of information in the filings required of a public company, our business and financial condition are more visible, which may result in threatened or actual litigation, including by competitors and other third parties. If such claims are successful, our business, financial condition, results of operations and prospects could be harmed, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and harm our business, financial condition, results of operations and prospects.

***Sales of a substantial number of shares of our common stock in the public market, or the perception that they might occur, could cause the price of our common stock to decline.***

The price of our common stock could decline if there are substantial sales of our common stock, particularly sales by our directors, executive officers and significant stockholders. If our existing stockholders sell substantial amounts of our common stock in the public market, or if the public perceives that such sales could occur, this could have an adverse impact on the market price of our common stock, even if there is no relationship between such sales and the performance of our business.

In addition, shares subject to outstanding options under our Incentive Plan are and will become eligible for sale in the public market in the future, subject to certain legal and contractual limitations. Substantial sales of such shares, at that time, could depress the sale price of our common stock.

Significant sales of our common stock, or the possibility that these sales may occur, might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. In addition, we may issue shares of our common stock in connection with investments or acquisitions in the future. The amount of shares of our common stock issued in connection with an investment or acquisition could constitute a material portion of our then-outstanding shares of common stock.

***The issuance of shares of our common stock upon the exercise of outstanding options, warrants and restricted stock units may dilute the percentage ownership of the then-existing stockholders and may make it more difficult to raise additional equity capital.***

As of March 29, 2023, there are outstanding options and warrants to purchase 36,436 and 2,025,520 shares of common stock, respectively, in addition to 3,212,504 vested and unvested restricted stock units. The exercise of such options and warrants and the vesting of restricted stock units would dilute the then-existing stockholders' percentage ownership of our 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 we would be able to obtain additional equity capital could be adversely affected because the holders of our options and warrants can be expected to exercise them at a time when we would, in all likelihood, be able to obtain any needed capital on terms more favorable to us than those provided by such securities.

***The issuance of additional securities by our Board of Directors (the “Board” or “Board of Directors”) will dilute the ownership interests of our current stockholders and could discourage the acquisition of us.***

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, and we currently have an effective universal shelf registration statement on file with the SEC, providing for the potential issuance of shares of our common stock and other securities. 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 shares could impede or deter an unsolicited tender offer or takeover proposal regarding us 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.

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

For the foreseeable future, we intend to retain any earnings to finance the development and expansion of our business, and we do not anticipate paying any cash dividends on our common stock. Any determination to pay dividends in the future will be at the discretion of our Board of Directors and will depend upon results of operations, financial condition, restrictions imposed by applicable law and other factors our Board of Directors deem relevant. Accordingly, if you purchase shares of our common stock, realization of a gain on your investment will depend on the appreciation of the price of our common stock, which may never occur. Investors seeking cash dividends in the foreseeable future should not purchase our common stock.

***If securities or industry analysts do not publish research or reports about our business or our industry, or publish negative reports about our business or our industry, our stock price and trading volume could decline.***

The trading market for our common stock will be influenced by the research and reports that securities or industry analysts publish about us, our business, our industry or our competitors. If one or more of the analysts who cover us change their recommendation regarding our stock adversely, change their opinion of the prospects for our company in a negative manner or provide more favorable relative recommendations about our competitors, our stock price would likely decline. If one or more of these analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our stock price or trading volume to decline.

***Certain provisions of Delaware law could discourage, delay or prevent a merger or acquisition at a premium price.***

Certain provisions of Delaware law could discourage potential acquisition proposals, delay or prevent a change in control of our company, or limit the price that investors may be willing to pay in the future for shares of our common stock. Because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which prohibits a person who owns in excess of 15% of our outstanding voting stock from merging or combining with us for a period of three years after the date of the transaction in which the person acquired in excess of 15% of our outstanding voting stock, unless the merger or combination is approved in a prescribed manner. Such provisions may discourage, delay or prevent a merger or acquisition of the Company, including a transaction in which the acquirer may offer a premium price for our stock.

***If our shares become subject to the penny stock rules, it would become more difficult to trade our shares.***

The SEC has adopted rules that regulate broker-dealer practices in connection with transactions in penny stocks. Penny stocks are generally equity securities with a price of less than \$5.00, other than securities registered on certain national securities exchanges or authorized for quotation on certain automated quotation systems, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system. If we do not retain a listing on the Nasdaq Capital Market and if the price of our shares of common stock is less than \$5.00, our common stock will be deemed a penny stock (meaning that our shares may be considered highly speculative and may trade infrequently, which can make them difficult to accurately price or sell). The penny stock rules require a broker-dealer, before a transaction in a penny stock not otherwise exempt from those rules, to deliver a standardized risk disclosure document containing specified information. In addition, the penny stock rules require that, before effecting any transaction in a penny stock not otherwise exempt from those rules, a broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive: (i) the purchaser’s written acknowledgment of the receipt of a risk disclosure statement; (ii) a written agreement to transactions involving penny stocks; and (iii) a signed and dated copy of a written suitability statement. These disclosure requirements may have the effect of reducing the trading activity in the secondary market for our common stock, and therefore stockholders may have difficulty selling their shares.

*As a “smaller reporting company,” we may avail ourselves of reduced disclosure requirements, which may make our common stock less attractive to investors.*

We are a “smaller reporting company” under applicable SEC rules and regulations, and, as a result of the SEC’s recent amendment to the definition of “smaller reporting company,” we will continue to be a “smaller reporting company” for so long as either (i) the market value of our common stock held by non-affiliates as of the end of our most recently completed second quarter (“public float”) is less than \$250 million or (ii) annual revenues of less than \$100 million during the most recently completed fiscal year and (A) no public float or (B) a public float of less than \$700 million. As a “smaller reporting company,” we have relied on exemptions from certain SEC disclosure requirements that are applicable to other public companies. These exemptions include reduced financial disclosure and reduced disclosure obligations regarding executive compensation. Until such time as we cease to be a “smaller reporting company,” such reduced disclosure in our SEC filings may make it harder for investors to analyze our operating results and financial prospects. If some investors find our common stock less attractive as a result of our reduced disclosure, there may be a less active trading market for our common stock and our stock price may be more volatile.

*Our shares of common stock are from time to time thinly traded, so stockholders may be unable to sell at or near ask prices or at all if they need to sell shares to raise money or otherwise desire to liquidate their shares.*

Our common stock has from time to time been “thinly-traded,” meaning that the number of persons interested in purchasing our common stock at or near ask prices at any given time may be relatively small or non-existent. This situation is attributable to a number of factors, including the fact that we are a small company that is relatively unknown to stock analysts, stock brokers, institutional investors and others in the investment community that generate or influence sales volume, and that even if we came to the attention of such persons, they tend to be risk-averse and would be reluctant to follow an unproven company such as ours or purchase or recommend the purchase of our shares until such time as we became more seasoned and viable. As a consequence, there may be periods of several days or more when trading activity in our shares is minimal or non-existent, as compared to a seasoned issuer that has a large and steady volume of trading activity that will generally support continuous sales without an adverse effect on share price. We cannot give stockholders any assurance that a broader or more active public trading market for our common stock will develop or be sustained, or that current trading levels will be sustained.

**Item 1B. Unresolved Staff Comments.**

None.

**Item 2. Properties.**

**Headquarters and Other Office Space**

We lease office space in Miami, Florida for our corporate headquarters. We also lease office space in Bedford, Texas of approximately 1,738 square feet to support SG Echo's procurement and accounting functions.

**Development Site**

We own approximately 58 acres of raw land on the Colorado River on Lake Travis in Lago Vista, Texas, outside of the greater Austin area, 117 Acres of raw land in Durant, Oklahoma and 30 Acres of raw land in St Marys, Georgia.

**Manufacturing Facilities**

SG Echo operates and leases one manufacturing facility of approximately 61,000 square feet. SG Echo is renovating a second manufacturing facility which totals approximately 58,000 square feet of manufacturing space. Both spaces are located in Durant, Oklahoma and the second manufacturing facility will be leased space commencing in 2023.

We believe that our current office spaces are adequate and suitable for our anticipated needs and that suitable additional space will be available at commercially reasonable prices as needed.

**Item 3. Legal Proceedings.**

The information included in “Note 20 – Commitments and Contingencies” of the Company’s consolidated financial statements included elsewhere in this Annual Report is incorporated by reference into this Item.

**Item 4. Mine Safety Disclosures.**

Not applicable.

## PART II

### Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases Of Equity Securities.

#### Market Information

Our common stock is listed and traded on the Nasdaq Capital Market under the symbol "SGBX."

#### Holders

As of the close of business on March 28, 2023, there were approximately 82 holders of record of our common stock, which does not reflect those shares held beneficially or those shares held in "street" name. Accordingly, the number of beneficial owners of our common stock exceeds this number. On March 28, 2023, the closing sales price of our common stock as reported on the Nasdaq Capital Market was \$0.79.

#### Dividend Policy

We have never paid any cash dividends on our common stock and do not anticipate paying cash dividends in the foreseeable future. The payment of dividends by us will depend on our future earnings, financial condition and such other business and economic factors as our management may consider relevant.

#### Recent Sales of Unregistered Securities

We did not sell any unregistered securities from January 1, 2022 through December 31, 2022 that were not previously disclosed in our filings with the SEC.

#### Issuer Purchases of Equity Securities

We did not repurchase any of our outstanding shares during the fourth quarter of 2022.

#### Performance Graph and Purchases of Equity Securities

The Company is a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and is not required to provide the information required under this item.

## Transfer Agent and Registrar

The transfer agent and registrar for our common stock is American Stock Transfer and Trust Company, LLC. The transfer agent's principal business address is 620115<sup>th</sup> Avenue, Brooklyn, New York 11219, and its telephone number is (800) 937-5449.

## Equity Compensation Plan Information

As of December 31, 2022, the following securities issued under equity compensation were outstanding:

Plan Category	Number of Shares Issuable Upon Exercise of Outstanding Options, Warrants or Rights (a) <sup>(1)</sup>	Weighted- Average Exercise Price of Outstanding Options (b) <sup>(2)</sup>	Number of Shares Remaining Available for Issuance Under Equity Compensation Plans (Excluding Shares Reflected in Column (a))(c) <sup>(3)</sup>
Equity compensation plans approved by security holders	3,248,940	\$ 78.71	376,060
Equity compensation plans not approved by security holders	—	—	—
Total	3,248,940	\$ 78.71	376,060

(1) Includes 36,436 shares issuable upon the exercise of options and 3,212,504 shares issuable upon the vesting of restricted stock units outstanding under the SG Blocks, Inc. Incentive Plan.

(2) The weighted average exercise price excludes restricted stock units.

(3) Represents shares available for issuance under the SG Blocks, Inc. Stock Incentive Plan.

Item 6. [Reserved]

## 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 operating problems in our 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.

### Results of Operations

Our operations for the years ended December 31, 2022 and 2021 may not be indicative of our future operations.

#### Years Ended December 31, 2022 and 2021:

	<u>For the Year Ended December 31, 2022</u>	<u>For the Year Ended December 31, 2021</u>
<b>Revenue</b>		
Construction services (includes engineering)	\$ 12,752,219	\$ 6,793,690
Medical revenue	<u>11,641,727</u>	<u>31,548,012</u>
<b>Total</b>	<u>24,393,946</u>	<u>38,341,702</u>
<b>Year over year % growth:</b>		
Construction services	88%	50%
Medical revenue	<u>(63)%</u>	<u>644%</u>
<b>Consolidated</b>	<u>(36)%</u>	<u>388%</u>
<b>Net revenue % mix:</b>		
Construction services	52%	18%
Medical revenue	<u>48%</u>	<u>82%</u>
<b>Consolidated</b>	<u>100 %</u>	<u>100%</u>
<b>Operating Income (Loss)</b>		
Construction services	(472,039)	(7,041,313)
Medical	2,588,830	8,405,332
Development	(2,137,866)	(203,078)
Corporate and Support	<u>(7,208,895)</u>	<u>(7,143,791)</u>
<b>Consolidated</b>	<u>(7,229,970)</u>	<u>(5,982,850)</u>
<b>Other Income (Expenses)</b>	140,728	74,478
<b>Add: Net profit attributable to common stockholders of Safe &amp; Green Holdings Corp.</b>	<u>1,229,806</u>	<u>4,924,302</u>
<b>Net loss attributable to common stockholders of Safe &amp; Green Holdings Corp.</b>	<u><u>(8,319,048)</u></u>	<u><u>(10,832,674)</u></u>

## Revenue

During the year ended December 31, 2022, we derived revenuesubstantially all of our revenue from the following two segments: construction services and medical revenue. Total revenue for the year endedDecember 31, 2022 was \$24,393,946 compared to \$38,341,702 for the year ended December 31, 2021. Revenue decreased 36% in 2022, compared to the prior year.

Medical revenue decreased 63% in 2022 compared to the prior year. The revenue decline primarily resulted from the decline in COVID-19 testing requirements during the year ended December 31, 2022. The majority of the medical revenue came from operations of our Clarity Mobile joint venture.

Construction services revenue increased 88% in 2022 compared to the prior year. The revenue growth primarily is due to the acquisition of Echo DCL, LLC in September 2020. The revenue growth reflects increased modular revenue from SG Echo's manufacturing facility.

## Operating Income (Loss)

Operating loss was \$7,229,970 for the year ended December 31, 2022, compared to \$5,982,850 for the year ended December 31, 2021, representing an increase of \$1,247,120 or 21% in 2022 compared to the prior year.

Construction services operating loss in 2022 was \$472,039 as compared to the prior year's operating loss of \$7,041,313, primarily due to an increase of jobs and deliver of modular units. The costs of materials such as lumber, plumbing, roofing, and other supplies to modify and build these units were increased due in part to COVID-19 supply chain issues. We purchased Echo in 2020 and assumed their current projects that had lower gross margins due to the increase in materials prices. In addition, we incurred higher than expected material and labor costs on several prototype modules projects in 2021 in order to win future revenue orders.

Medical revenue operating income in 2022 was \$2,588,830, as compared to the prior year's operating income of \$8,405,332, primarily due to decreased testing samples being collected at our COVID-19 laboratory at LAX airport, partially offset by increased labor costs and lower than anticipated testing volume with our COVID-19 testing program with Memorial Healthcare in Wayne County, Michigan. We have ceased operations with Memorial Healthcare in Q4 2021.

Development operating loss in 2022 is related to operating expenses incurred for certain development projects that were started in 2021 and currently being developed for future use. No revenue has been generated by our development segment in 2022 to offset these operating expenses.

Corporate and support operating loss increased in 2022, as compared to the prior year, and such increase is primarily due to increased overhead costs in public expenses related to SEC compliance and legal costs, increased payroll due to additional head count in SG Echo and stock compensation in order to retain key employees, increases in IT support and increase in insurance expenses to support our various operations.

## Other Income (Expense)

Interest income for the year ended December 31, 2022 was \$73,821 mainly derived from bank interest and interest associated with an outstanding note receivable. There was \$57,266 of interest income for the year ended December 31, 2021. Other income for the year ended December 31, 2022 and 2021 was \$403,146 and \$62,602, respectively. Other income during 2022 primarily related to a return of escrow from the SG Echo acquisition in the amount of \$406,438, legal settlement income of \$150,000 and the write off of accounts payable in the amount of \$177,965. Interest expense for the year ended December 31, 2022 and 2021 was \$336,239 and \$1,254, respectively. The increase in interest expense resulted from the notes payable entered into during July 2021. Loss on asset disposal for the year ended December 31, 2021 was \$44,081.

## Income Tax Provision

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

## Impact of Inflation

The impact of inflation upon our 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 we do not maintain any inventories whose costs are affected by inflation.

## Liquidity and Capital Resources

As of December 31, 2022 and December 31, 2021, we had an aggregate of \$582,776 and \$3,024,381, respectively, of cash and cash equivalents. To date, we have financed our operations from revenue generated from operations and sales of our equity and to a lesser extent debt financing.

In October 2021, we completed a registered direct offering and concurrent private offering pursuant to which we sold an aggregate of 975,000 shares of common stock and pre-funded warrants to purchase up to 2,189,384 shares of Common Stock and warrants to purchase 1,898,630 shares of Common Stock which resulted in net proceeds of approximately \$10,488,000 after deducting underwriting commission and other expenses related to the offering

On February 7, 2023, we closed a private placement offering (the "Offering") of One Million One Hundred Thousand Dollars (\$1,100,000.00) in principal amount of the Company's 8% convertible debenture (the "Debenture") and a warrant (the "Warrant") to purchase up to Five Hundred Thousand (500,000) shares of our common stock, to Peak One Opportunity Fund, L.P. ("Peak One"). Pursuant to a Securities Purchase Agreement, dated February 7, 2023 (the "Purchase Agreement"), the Debenture was sold to Peak One for a purchase price of \$1,000,000, representing an original issue discount of ten percent (10%). In connection with the offering the Company paid \$15,000 as a non-accountable fee to Peak One to cover its accounting fees, legal fees and other transactional costs incurred in connection with the transactions contemplated by the Purchase Agreement and issued 50,000 shares of its restricted common stock (the "Commitment Shares") to Peak One Investments, LLC ("Investments"), the general partner of Peak One.

The Debenture matures twelve months from its date of issuance and bear interest at a rate of 8% per annum payable on the maturity date. The Debenture is convertible, at the option of the holder, at any time, into such number of shares of common stock of the Company equal to the principal amount of the Debenture plus all accrued and unpaid interest at a conversion price equal to \$1.50 (the "Conversion Price"), subject to adjustment for any stock splits, stock dividends, recapitalizations and similar events and in the event the Company, at any time while the Debenture is outstanding, issues, sells or grants any option to purchase, or sells or grants any right to reprice, or otherwise disposes of, or issues common stock or other securities convertible into, exercisable for, or otherwise entitle any person the right to acquire, shares of common stock, other than with respect to an Exempt Issuance (as defined in the Debenture), at an effective price per share that is lower than the then Conversion Price. In the event of any such anti-dilutive event, the Conversion Price will be reduced at the option of the holder to such lower effective price of the dilutive event, subject to a floor price of \$0.40 per share, unless and until the Company obtains shareholder approval for any issuance below such floor price.

As of December 31, 2022, our stockholders' equity was \$14,439,562 compared to \$21,715,789 as of December 31, 2021. Our net loss for the years ended December 31, 2022 and 2021 was \$7,089,242 and \$5,908,372, respectively. Net cash used in operating activities was \$5,630,614 and \$662,759 for the years ended December 31, 2022 and 2021, respectively. The increase resulted mainly from a decrease of approximately \$5,500,000 in working capital, an increase of approximately \$1,150,000 in non-cash stock compensation expense offset by an increase in the overall net loss of approximately \$1,180,000 in the year ended December 31, 2022 compared to year ended December 31, 2021.



We may need to generate additional revenues or secure additional financing sources, such as debt or equity capital, to fund future growth, which financing may not be available on favorable terms or at all. We do not have any additional sources secured for future funding, and if we are unable to raise the necessary capital at the times we require such funding, we may need to materially change our business plan, including delaying implementation of aspects of such business plan or curtailing or abandoning such business plan altogether.

#### Cash Flow Summary

	For The Year Ended December 31,	
	2022	2021
Net cash provided by (used in):		
Operating activities	\$ (5,630,614)	\$ (662,759)
Investing activities	(3,853,298)	(9,471,257)
Financing activities	(2,957,693)	10,148,041
Net increase (decrease) in cash and cash equivalents	\$ (12,441,605)	\$ 14,025

Operating activities used net cash of \$5,630,614 during the year ended December 31, 2022, and \$662,759 during the year ended December 31, 2021. Generally, our net operating cash flows fluctuate primarily based on changes in our profitability and working capital. Cash used in operating activities increased by approximately \$5,000,000 primarily due to a decrease in working capital due in part to decreases in accounts payable with the additions of operations of new entities, SG DevCorp. and SG Echo, from the corresponding period of the prior years. In addition, we had an increase of approximately \$1,085,000 in stock-based compensation and an increase in the overall net loss of approximately \$1,181,000, during the year ended December 31, 2022 compared to the year ended December 31, 2021.

Investing activities used net cash of \$3,853,298 during the year ended December 31, 2022, and \$9,451,257 during the year ended December 31, 2021. Cash used in investing activities decreased from the corresponding period of the prior year primarily due to the purchase of property, plant and equipment of approximately \$4,820,000 which includes the land purchase for the Lago Vista - Austin project and investments in two SG DevCorp. entities totaling approximately \$3,600,000 during 2021.

Financing activities used net cash of \$2,957,693 during the year ended December 31, 2022, and provided net cash of \$10,148,041 during the year ended December 31, 2021. Cash provided by financing activities decreased by approximately \$13,106,000 due to approximately \$10,488,000 received in proceeds from a public stock offering and proceeds of \$2,000,000 from the proceeds of a short-term notes payable during the year ended December 31, 2021.

We provide services to our construction customers in three separate phases: the design phase, the architectural and engineering phase and the construction phase. Each phase is independent of the other, but builds through a progression of concept through delivery of a completed structure. These phases may be embodied in a single contract or in separate contracts, which is typical of a design build process model. As of December 31, 2022, we had 11 projects totaling \$6,810,762 under contract, which, if they all proceed to construction, will result in us constructing approximately 68,000 square feet of modular space. Of these contracts, all eleven (11) projects combine all three phases or parts thereof and including construction. We expect that all of this revenue will be realized by December 31, 2023.

Backlog may fluctuate significantly due to the timing of orders or awards for large projects and is not necessarily indicative of future backlog levels or the rate at which backlog will be recognized as revenue. The increase in backlog at December 31, 2022 is primarily attributable to one new contract we entered into during the fourth quarter of 2022 for approximately \$5,771,000. We expect that all of this revenue will be realized by December 31, 2023.

There can be no assurance that our customers will decide to and/or be able to proceed with these construction projects, or that we will ultimately recognize revenue from these projects in a timely manner or at all.

## Off-Balance Sheet Arrangements

As of December 31, 2022 and 2021, we had no material off-balance sheet arrangements to which we are a party.

In the ordinary course of business, we enter into agreements with third parties that include indemnification provisions which, in our judgment, are normal and customary for companies in our industry sector. These agreements are typically with consultants and certain vendors. Pursuant to these agreements, we generally agree 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 us. The maximum potential amount of future payments we could be required to make under these indemnification provisions is unlimited. We have 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, we have no liabilities recorded for these provisions as of December 31, 2022.

## Critical Accounting Estimates and New Accounting Pronouncements

### *Critical Accounting Estimates*

Our financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”). In connection with the preparation of the financial statements, we are required to make assumptions and estimates and apply judgments that affect the reported amounts of assets, liabilities, revenue, and expenses, and the related disclosures. We base our assumptions, estimates, and judgments on historical experience, current trends, and other factors that we believe to be relevant at the time the consolidated financial statements are prepared. On a regular basis, we review the accounting policies, assumptions, estimates, and judgments to ensure that our financial statements are presented fairly and in accordance with GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material.

Our significant accounting policies are discussed in “Note 3—Summary of Significant Accounting Policies” of the notes to our consolidated financial statements included elsewhere in this Annual Report. We believe that the following accounting policies are the most critical in fully understanding and evaluating our reported financial results.

*Share-based payments.* We measure 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, including non-employee directors, the fair value of the award is measured on the grant date. 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. We recognize 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 to employees and all directors is reported within payroll and related expenses in the consolidated statements of operations. Stock-based compensation expense to non-employees is reported within marketing and business development expense in the consolidated statements of operations.

*Convertible instruments.* SGB 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 (i) 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; (ii) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable GAAP measures with changes in fair value reported in earnings as they occur; and (iii) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument.

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

**Revenue recognition** – The Company determines, at contract inception, whether it will transfer control of a promised good or service over time or at a point in time, regardless of the length of contract or other factors. The recognition of revenue aligns with the timing of when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. To achieve this core principle, the Company applies the following five steps in accordance with its revenue policy:

- (1) Identify the contract with a customer
- (2) Identify the performance obligations in the contract
- (3) Determine the transaction price
- (4) Allocate the transaction price to performance obligations in the contract
- (5) Recognize revenue as performance obligations are satisfied

On certain contracts, the Company applies recognition of revenue over time, which is similar to the method the Company applied under previous guidance (i.e. percentage of completion). Due to uncertainties inherent in the estimation process, it is possible that estimates of costs to complete a performance obligation will be revised in the near-term. For those performance obligations for which revenue is recognized using a cost-to-cost input method, changes in total estimated costs, and related progress toward complete satisfaction of the performance obligation, are recognized on a cumulative catch-up basis in the period in which the revisions to the estimates are made. When the current estimate of total costs for a performance obligation indicate a loss, a provision for the entire estimated loss on the unsatisfied performance obligation is made in the period in which the loss becomes evident.

For product or equipment sales, the Company applies recognition of revenue when the customer obtains control over such goods, which is at a point in time.

On October 3, 2019, we entered into an Exclusive License Agreement (“ELA”) pursuant to which we granted an exclusive license for our technology as outlined in the ELA. The ELA is described below. Under the ELA, we were to receive royalty payments based upon gross revenues earned by the licensee for commercialized products within the field of design and project management platforms for residential use, including single-family residences and multi-family residences, but excluding military housing. We have determined that the ELA granted the licensee a right to access our intellectual property throughout the license period (or its remaining economic life, if shorter), and thus recognizes revenue over time as the licensee recognizes revenue and we have the right to payment of royalties. On June 15, 2021 we terminated the Exclusive License Agreement with CPF that we had entered into on October 3, 2019. No revenue has been recognized under the ELA for the years ended December 31, 2022 and 2021.

On October 9, 2019, we entered into a Right of First Refusal Agreement (the “*Agreement*”) with CMC Development LLC (“*CMC*”). See Note 3 for a discussion on the Right of First Refusal Agreement. Under the agreement, we have a right of first refusal with respect to being engaged as a designer and builder of any real estate projects for which CMC has secured the rights to develop and in which CMC has a greater than fifty percent (50%) interest in the owner or developer entity and has the right to select the builder for such real estate project (the “*ROFR Rights*”). In exchange for such ROFR Rights, we agreed to issue to CMC 2,500 shares of restricted stock of our common stock, of which 1,250 shares will vest and be issued on September 30, 2020 and the remaining 1,250 shares will vest and be issued on September 30, 2021, unless the Agreement is earlier terminated. In the event that the Agreement is earlier terminated, CMC will still be entitled to receive the entire amount of such restricted stock that has vested as of such earlier termination date, but in no event less than 1,250 shares of such restricted stock. The Agreement also provides for customary indemnification and confidentiality obligations between the parties. The 2,500 shares of restricted stock of our common stock have yet to be issued to CMC.

The Agreement also provides that CMC has engaged us to build and design, in the aggregate, approximately 100 residential and commercial units at 1100 Ridge Avenue, Atlanta, Georgia, which is known as the “Ridge Avenue, Atlanta Project.” The total cost of the project is \$16,900,000. The project is a residential project but it was not subject to the recently terminated ELA. The planning stage of the project was initially delayed due to COVID-19. We are no longer participating in Ridge Avenue as CMC has decided to proceed with this project as a traditional construction build. We reported this as a cancellation within our backlog footnote, see Note 13 on this discussion. No revenue has been recognized under the Agreement during the years ended December 31, 2022 and 2021.

We entered into a joint venture agreement with Clarity Lab Solutions, LLC (“Clarity Labs”) (the “JV”). Revenue from the activities of the JV is related to clinical testing services and is recognized when services have been rendered, which is at a point in time. In addition, we formed Chicago Airport Testing, LLC which collects rental revenue. For the years ended December 31, 2022 and 2021, the Company recognized approximately \$11.6 million and \$31.5 million, respectively, related to activities through these two joint ventures, which is included in medical revenue on the accompanying consolidated statements of operations.

We acquired a 10% non-dilutable equity interest for JDI-Cumberland Inlet, LLC and acquired a 50% membership interest in Norman Berry II Owner LLC in the second quarter of 2021. We have determined we are not the primary beneficiary and thus will not consolidate the activities on the consolidated financial statements. We will use the equity method to report the activities as an investment in on our consolidated financial statements.

*Goodwill.* Goodwill represents the excess of reorganization value over the fair value of identified net assets upon emergence from bankruptcy. In accordance with the accounting guidance on goodwill, SGB performs its impairment test of goodwill at the reporting unit level each fiscal year, or more frequently if events or circumstances change that would more likely than not reduce the fair value of its reporting unit below its carrying value. Our evaluation of goodwill completed during the year ended December 31, 2022, resulted in no impairment loss.

*Intangible assets* – Intangible assets consist of \$2,766,000 of proprietary knowledge and technology, which is being amortized over 20 years. In addition, included in intangible assets is \$97,164 of trademarks, and \$115,632 of website costs that are being amortized over 5 years. We evaluated intangible assets for impairment during the year ended December 31, 2022, and determined that there are no impairment losses.

### *New Accounting Pronouncements*

See Note 3 to the accompanying consolidated financial statements for all recently adopted and new accounting pronouncements.

### *Non-GAAP Financial Information*

In addition to our results under GAAP, we also present EBITDA and Adjusted EBITDA for historical periods. EBITDA and Adjusted EBITDA are non-GAAP financial measures and have been presented as supplemental measures of financial performance that are not required by, or presented in accordance with, GAAP. We calculate EBITDA as net income (loss) before interest expense, income tax benefit (expense), depreciation and amortization. We calculate Adjusted EBITDA as EBITDA before certain non-recurring adjustments such as loss on conversion of convertible debentures, change in fair value of financial instruments and stock compensation expense.

EBITDA and Adjusted EBITDA are presented because they are important metrics used by management as one of the means by which it assesses our financial performance. EBITDA and Adjusted EBITDA are also frequently used by analysts, investors and other interested parties to evaluate companies in our industry. These measures, when used in conjunction with related GAAP financial measures, provide investors with an additional financial analytical framework that may be useful in assessing us and our results of operations.

EBITDA and Adjusted EBITDA have certain limitations. EBITDA and Adjusted EBITDA should not be considered as alternatives to net income (loss), or any other measures of financial performance derived in accordance with GAAP. These measures also should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items for which these non-GAAP measures make adjustments. Additionally, EBITDA and Adjusted EBITDA are not intended to be liquidity measures because of certain limitations, including, but not limited to:

- They do not reflect our cash outlays for capital expenditures;
- They do not reflect changes in, or cash requirements for, working capital; and
- Although depreciation and amortization are non-cash charges, the assets are being depreciated and amortized and may have to be replaced in the future, and these non-GAAP measures do not reflect cash requirements for such replacements.

Other companies, including other companies in our industry, may not use such measures or may calculate one or more of the measures differently than as presented in this Annual Report, limiting their usefulness as a comparative measure.

In evaluating EBITDA and Adjusted EBITDA, you should be aware that in the future we will incur expenses that are the same or similar to some of the adjustments made in our calculations, and our presentation of EBITDA and Adjusted EBITDA should not be construed to mean that our future results will be unaffected by such adjustment. Management compensates for these limitations by using EBITDA and Adjusted EBITDA as supplemental financial metrics and in conjunction with our results prepared in accordance with GAAP. The non-GAAP information should be read in conjunction with our consolidated financial statements and related notes.

The following is a reconciliation of EBITDA and Adjusted EBITDA to the nearest GAAP measure, net loss:

	<b>For the Year Ended December 31, 2022</b>	<b>For the Year Ended December 31, 2021</b>
Net loss attributable to common stockholders of Safe & Green Holdings Corp.	\$ (8,319,048)	\$ (10,832,674)
Addback interest expense	336,239	1,254
Addback interest income	(73,821)	(57,266)
Addback depreciation and amortization	615,191	605,405
EBITDA (non-GAAP)	<u>(7,441,439)</u>	<u>(10,283,281)</u>
Addback loss on asset disposal	25,265	44,081
Addback litigation expense	664,724	570,934
Addback stock-based compensation expense	2,798,844	1,647,391
Adjusted EBITDA (non-GAAP)	<u>\$ (3,952,606)</u>	<u>\$ (8,020,875)</u>

**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 Whitley Penn LLP, our registered public accounting firm, dated March 29, 2023, 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.**

Our 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 Exchange Act Rules 13a-15(e) or 15d-15(e)) as of the end of the period covered by this Annual Report (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 were 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.

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) or 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. Because of the inherent limitations of internal control systems, our internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2022. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control-Integrated Framework (2013)*. Based on our assessment, we concluded that, as of December 31, 2022, our internal control over financial reporting was effective based on those criteria.

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**

There were changes made to our internal control process that improved the timely closing of our accounting records and added additional steps within our review process for complex and new transactions over financial reporting that occurred during the fourth quarter of 2022.

**Item 9B. Other Information.**

None.

**Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.**

Not applicable.

**PART III**

**Item 10. Directors, Executive Officers and Corporate Governance.**

Below is certain information regarding our directors and executive officers.

Name of Director or Executive Officer	Ages	Position	Served as an Officer and/or Director Since
Paul M. Galvin	60	Chairman of the Board, Chief Executive Officer and Interim Chief Financial Officer	November 2011
William Rogers	55	Chief Operating Officer	December 2020
Yaniv Blumenfeld	50	Director	April 2018
Christopher Melton <sup>(2)(4)(5)</sup>	51	Director	November 2011
David Villarreal	71	Director	May 2021
Shafron E. Hawkins <sup>(1)(3)(4)</sup>	48	Director	December 2022
Elizabeth Cormier-May <sup>(1)(3)(4)</sup>	41	Director	January 2023

(1) Audit Committee Member.

(2) Audit Committee Chairman.

(3) Compensation Committee Member.

(4) Nominating and Corporate Governance Committee Member.

(5) Lead Independent Director.

**Paul M. Galvin** was appointed as a director and the Company’s Chief Executive Officer upon consummation of the reverse merger among CDSI Holdings Inc., CDSI Merger Sub, Inc., the Company, and certain stockholders of the Company on November 4, 2011 (the “Merger”). He was appointed as Interim Chief Financial Officer on May 18, 2022. Mr. Galvin is a founder of Safe & Green, LLC, the predecessor entity of the Company. He has served as the Chief Executive Officer of the Company since April 2009 and as a director of the Company since January 2007. Mr. Galvin has been a managing member of TAG Partners, LLC (“TAG”), an investment partnership formed for the purpose of investing in the Company, since October 2007. Mr. Galvin brings over 30 years of experience developing and managing real estate, including residential condominiums, luxury sales and 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, 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 a subsidiary of Yucaipa Investments, where he worked with religious institutions that needed to monetize underperforming assets. While there, he designed and managed systems that produced highest and best use analyses for hundreds of religious assets and used them to acquire and re-develop properties across the U.S. Mr. Galvin holds a Bachelor of Science 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 10 years on the Sisters of Charity Healthcare System Advisory Board and six years on the board of SentiCare, Inc. In 2011, the Council of Churches of New York recognized Mr. Galvin with an Outstanding Business Leadership Award.

We selected Mr. Galvin to serve on our Board because he brings extensive knowledge of the real estate and finance industries and managements experience. Mr. Galvin’s pertinent experience, qualifications, attributes and skills include his expertise in real estate development and management and finance.



**Yaniv Blumenfeld** joined the Board of Directors in April 2018. He founded Glacier Global Partners LLC in 2009 and is responsible for its strategic direction and oversees its investments and day-to-day management, including origination, underwriting, closing, investor relations and asset management functions. Mr. Blumenfeld has over 20 years of real estate experience, 13 years of which have been with leading Wall Street firms, where he was responsible for structuring, underwriting, pricing, securitizing and syndicating over \$16 billion of commercial real estate loans and equity transactions. Prior to founding Glacier Global Partners LLC, Mr. Blumenfeld was a Managing Director at The Bear Stearns Companies, Inc. and JPMorgan Chase & Co., and, in such role, was responsible for structuring and closing over \$2 billion in real estate debt and equity transactions for institutional clientele. Prior to that, Mr. Blumenfeld was a Managing Director and Head of the CMBS Capital Markets Group for the U.S. at EuroHypo AG, then world's largest real estate investment bank. In that capacity, Mr. Blumenfeld expanded the large loan CMBS group and oversaw the structuring, pricing, securitization and syndication functions and served on the bank's investment committee in charge of approving all transactions. He designed and implemented risk-control measures, standardized underwriting and pricing models and structured over \$4 billion of real estate loans. Other positions previously held by Mr. Blumenfeld include Senior Vice President at Lehman Brothers, PaineWebber/UBS and Daiwa Securities. Prior to joining the banking industry, Mr. Blumenfeld worked as a real estate consultant at Ernst & Young real estate consulting group, advising real estate owners and operators, and various investment banks. Mr. Blumenfeld received a Bachelor of Science in real estate finance from Cornell University School of Hotel Administration. He is a member of the CRE Finance Council, was a guest lecturer at Columbia University, and was a recipient of the Young Jewish Professional NYC Real Estate Entrepreneur & Achievement Award in 2013. He is also involved with various philanthropic organizations, including The American Israel Public Affairs Committee, White Plains Hospital, American Friends of Rabin Medical Center and is on the board of directors of Arts Westchester and the White Plains Business Improvement District.

We selected Mr. Blumenfeld to serve on our Board because he brings extensive knowledge of the real estate finance industry. Mr. Blumenfeld's pertinent experience, qualifications, attributes and skills include expertise in real estate finance, risk-control, developments, investment banking and capital raising.

**Christopher Melton** was appointed as a director of the Company upon consummation of the Merger on November 4, 2011. Mr. Melton is a licensed real estate salesperson in the State of South Carolina and until June 2019 was a principal of Callegro Investments, LLC, a specialist land investor investing in the southeastern U.S., which he founded 2012. Since June 2019 he has served as a specialist Land Advisor with SVN. Mr. Melton also serves on several public and private boards, including Jupiter Wellness, Inc. since August 2019 and has served since February 2018 as chief investment officer and analyst at TNT Capital Advisors, a capital advisory firm based in Florida. He also served as a sales agent as MSK Commercial Services, a commercial real estate company, from February 2018 to June 2019. 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 JPMorgan 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 in Chicago from 1995 to 1997. RREEF Funds is the real estate investment management business of Deutsche Bank's Asset Management division. Mr. Melton earned a Bachelor of Arts in Political Economy of Industrial Societies from the University of California, Berkeley in 1995. Mr. Melton earned Certification from University of California, Los Angeles's Anderson Director Education Program in 2014.

We selected Mr. Melton to serve on our Board because he brings extensive knowledge of finance and the real estate industry. 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 real estate investment and development activities.

**David Villarreal** was appointed as a director of the Company on May 28, 2021. Mr. Villarreal's career spans over 40 years in various management, business and leadership capacities, beginning in 1977 when he served as Deputy Mayor and Senior Deputy Economic Development Advisor, under Mayor Tom Bradley in the City of Los Angeles. He has served since August 2014 as the Chief Administrative Officer of Affinity Partnerships, LLC, a Costco national mortgage services platform provider, with annual closed loan production of \$8+ billion through a network of ten national mortgage lenders. From March 2011 to August 2014, he served as the President -Corporate Business Development, of Prime Source Mortgage, Inc. From September 2008 to September 2012, he served as a Consultant to the International Brotherhood of Teamsters.

We selected Mr. Villarreal to serve on our Board because he brings extensive knowledge of mortgage and real estate industry. Mr. Villarreal's pertinent experience, qualifications, attributes and skills include financial literacy and expertise, managerial experience and the knowledge and experience he has attained through his real estate investment activities.

**Shafron Hawkins** was appointed as a director of the Company in December of 2022. Shafron Hawkins' career spans the industries of financial services, government and nonprofits. Hawkins started his career working for TD Waterhouse Securities in its active investors division before moving to Credit Suisse First Boston. In June 2002, Hawkins founded Hawkins Capital Group, where he served as Principal while helping raise acquisition capital for small companies. In 2016, Hawkins became a legislative fellow in the U.S. House of Representatives, advising a Way and Means Committee member and helping push forward the Simplifying America's Tax System (SATS) plan. Soon after, Hawkins served as a U.S. Senate Tax and Trade Counsel where he worked to expand the Tax Cuts and Jobs Act to include the Opportunity Zones provision. Hawkins also served as Majority Staff Director for the Senate Finance Subcommittee on Energy, Natural Resources, and Infrastructure, having previously served as Majority Staff Director for the Senate Finance Subcommittee on Fiscal Responsibility and Economic Growth. Upon leaving Capitol Hill, Hawkins founded the Opportunity Funds Association, an organization that helps advocate for Opportunity Zones and drive investments into underserved areas. In 2022, Hawkins worked with Congress to introduce the bi-partisan, bi-cameral Opportunity Zones Transparency Extension and Improvement Act which achieves the OFA member policy goals of increased investment and greater transparency in Opportunity Zones.

Mr. Hawkins earned his undergraduate degree in economics from The Ohio State University, his MBA from Columbia Business School as a Credit Suisse First Boston Fellow, and his JD from the Moritz College of Law at OSU. He is currently an adjunct professor at the Cleveland State University College of Law.

We selected Mr. Hawkins to serve on our Board because he brings extensive knowledge with respect to the financial services, government and nonprofit industries. Mr. Hawkins's pertinent experience, qualifications, attributes and skills include financial literacy and expertise, managerial experience and the knowledge and experience he has attained through his financial services, government and nonprofit activities.

**Elizabeth Cormier-May** was appointed as a director of the Company in January 2023. Ms. Cormier-May began her career as a medicinal chemist, specializing in early discovery oncology at the Novartis institute for Biomedical Research. Ms. Cormier-May currently serves as CEO and Board Director of Mammogen, Inc., as well as the Chairman of the Board, Co-Founder, and CEO of Dragonfly Data Ventures. Mammogen, Inc. is a women's health diagnostics company focused on the noninvasive detection of disease in its earliest stages. Mammogen is one of 3 companies within the IV BioHoldings (IVBH) ecosystem, where Ms. Cormier-May also serves as the SVP and Chief Commercial Officer. IVBH is a privately held bio-innovation platform that seeks to conceive, create and develop first-in-category precision health technologies and companies that radically improve detection, diagnosis and treatment of disease. Ms. Cormier-May has served since January 2022 as Senior Vice President and Chief Commercial Officer of IV Bioholdings, LLC, a privately held bio-innovation platform seeking to conceive, create and develop first-in-category precision health technologies and companies that radically improve detection, diagnosis and treatment of disease, serves and has served since March 2021 as a director and Chief Executive Officer of Mammogen, Inc., a privately held Women's health diagnostics start-up, part of the IV BioHoldings, LLC bio innovation studio, and serves and has served since April 2019, as Chairman of the Board, Co-Founder and Chief Executive Officer of Dragonfly Data Ventures, Inc., a privately held data influence platform, seeking to create a gamified consumer platform that allows users to own, manage, and monetize their health, wellness, fitness, and transactional data. From May 2016 to March 2019, Ms. Cormier-May served as Vice President and Head of Commercial Diagnostics of Exosome Diagnostics, Inc., a personalized healthcare company acquired by Bio-Tech in August 2018. From June 2004 to May 2016, Ms. Cormier-May served in a number of management capacities with various multi-national and other companies in the healthcare and drug development industries. Ms. Cormier-May received her B.A. in organic chemistry from Wheaton College and attended Northeastern University's chemical biology and organic chemistry program.

We selected Ms. Cormier-May to serve on our Board because she brings extensive knowledge of the biotechnology industry and diagnostics services market. Ms. Cormier-May's pertinent experience, qualifications, attributes and skills include financial literacy and expertise, managerial experience and the knowledge and experience she has attained through her biotechnology industry and diagnostics services activities.

## Board Leadership Structure

The Board recognizes that one of its key responsibilities is to evaluate and determine its optimal leadership structure to provide independent oversight of management. Our Board is currently led by a Chairman of the Board who also serves as our Chief Executive Officer. The Board understands that the right Board leadership structure may vary depending on the circumstances, and our independent directors periodically assess these roles and the Board leadership to ensure the leadership structure best serves the interests of the Company and stockholders.

Mr. Galvin currently holds the Chairman and Chief Executive Officer roles. Mr. Melton currently serves as the Lead Independent Director appointed by the majority of the Board. Mr. Villarreal served as our Lead Independent Director until February 2023 when he was appointed President and Chief Executive Officer of SG DevCorp. and was no longer independent.

The responsibilities of the Lead Independent Director include, among others: (i) serving as primary intermediary between non-employee directors and management; (ii) approving the agenda and meeting schedules for the Board; (iii) advising the Chairman of the Board as to the quality, quantity and timeliness of the information submitted by management to directors; (iv) recommending director candidates and selections for the membership and chairman position for each committee of the Board; (v) calling meetings of independent directors; and (vi) serving as liaison for consultation and communication with stockholders.

We believe the current leadership structure, with combined Chairman and Chief Executive Officer roles and a Lead Independent Director, best serves the Company and its stockholders at this time. Mr. Galvin possesses detailed and in-depth knowledge of the Company and the industry and the issues, opportunities and challenges we face, and is best positioned to ensure the most critical business issues are brought for consideration by the Board. In addition, having one leader serving as both the Chairman and Chief Executive Officer provides decisive, consistent and effective leadership, as well as clear accountability to our stockholders and customers. This enhances our ability to communicate our message and strategy clearly and consistently to our stockholders, employees, customers and suppliers, particularly during times of turbulent economic and industry conditions. The Board believes the appointment of a strong Lead Independent Director and the use of regular executive sessions of the non-management directors, along with a majority the Board being comprised of independent directors, allow it to maintain effective oversight of management. We believe that the combination of the Chairman and Chief Executive Officer roles is appropriate in the current circumstances and, based on the relevant facts and circumstances, separation of these offices would not serve our best interests and the best interests of our stockholders at this time.

## Director Independence

Nasdaq Listing Rule 5605 requires a majority of a listed company's board to be comprised of independent directors. In addition, the Nasdaq Listing Rules require that, subject to specified exceptions, each member of a listed company's audit and compensation committees be independent under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Members of the Audit Committee and Compensation Committee must also satisfy the independence criteria set forth in Rules 10A-3 and 10C-1 under the Exchange Act, respectively. Under Nasdaq Listing Rule 5605(a)(2), a director will only qualify as an "independent director" if, in the opinion of the Board, that person does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In order to be considered independent for purposes of Exchange Act Rule 10A-3, an Audit Committee member may not, other than in his or her capacity as a member of the Audit Committee, the Board or any other committee of the Board, accept, directly or indirectly, any consulting, advisory or other compensatory fee from the Company or any of its subsidiaries, or otherwise be affiliated with the Company or any of its subsidiaries. In order for Compensation Committee members to be considered independent for purposes of Exchange Act Rule 10C-1, the Board must consider all factors specifically relevant to determining whether a director has a relationship to the Company that is material to that director's ability to be independent from management in connection with the duties of a Compensation Committee member, including, but not limited to: (1) the source of compensation of the director, including any consulting advisory or other compensatory fee paid by the Company to the director; and (2) whether the director is affiliated with the Company or any of its subsidiaries or affiliates.

The Board has reviewed the materiality of any relationship that each of our directors has with the Company and has determined that each of MessrsHawkins, Melton and Ms. Cormier-May, is "independent" in accordance with the Nasdaq Listing Rules. Messrs. Galvin and Villarreal are not considered "independent" due to their executive position. Mr. Blumenfeld is also not considered "independent" due to compensation he received from certain business relationships he has with us. As such independent directors comprise a majority of our Board and the members of our Audit, Compensation, and Nominating, Environmental, Social and Corporate Governance Committees are fully independent.

## Board and Committee Responsibilities

### *Generally*

The Board is the ultimate decision-making body of the Company, except with respect to those matters to be decided by the stockholders. It selects the Chief Executive Officer and other members of the senior management team, which is charged with the conduct of the Company's day-to-day business. The Board acts as an advisor and counselor to senior management and ultimately monitors its performance. The function of the Board to monitor the performance of senior management is facilitated by the presence of non-employee directors who have substantive knowledge of the Company's business.

Our Board has established a separate standing Audit Committee, Compensation Committee and Nominating, Environmental, Social and Corporate Governance Committee. Each of the Audit Committee, Compensation Committee and Nominating, Environmental, Social and Corporate Governance Committee operates pursuant to a written charter, a copy of which may be viewed on the Company's website at <https://www.safeandgreenholdings.com> under the "Investors — Corporate Governance" tab.

### *Audit Committee*

The members of our Audit Committee are Mr. Melton, who serves as chairperson, Mr. Hawkins and Ms. Cormier-May. The Audit Committee Charter requires that the Audit Committee consist of at least three members of the Board, each of whom is required to be independent as defined by Nasdaq and SEC rules. The Board has determined that each member of the Audit Committee is independent, as defined by Rule 10A-3 of the Exchange Act and Nasdaq Marketplace Rule 5605(a)(2). The Board has also determined that Mr. Melton is an "audit committee financial expert," as defined in Item 407(d)(5) of Regulation S-K under the Exchange Act.

The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of our independent registered public accounting firm. Functions of the Audit Committee include, but are not limited to, reviewing the results and scope of the audit performed, and the financial recommendations provided by, our independent registered public accounting firm and coordinating the Board's oversight of our internal financing and accounting processes.

All audit services to be provided to the Company by our independent public accounting firm, Whitley Penn, are pre-approved by the Audit Committee prior to the initiation of such services (except for items exempt from pre-approval requirements under applicable laws and rules). The Audit Committee approved all services provided by Whitley Penn to us during 2022.

### *Compensation Committee*

The members of our Compensation Committee are Mr. Hawkins and Ms. Cormier-May. The Compensation Committee Charter requires that the Compensation Committee consist of at least two members of the Board, each of whom is required to be independent as defined by Nasdaq rules. The Board has determined that each member of the Compensation Committee is independent, as defined in Nasdaq Marketplace Rule 5605(a)(2).

Functions of the Compensation Committee, include, but are not limited to: reviewing and approving, or recommending the Board approve, compensation arrangements for our executive officers, including salary and payments under the Company's equity-based plans; reviewing compensation for non-employee directors and recommending changes to the Board; and administering our stock compensation plans. Our principal executive officer annually reviews the performance of each of the named executive officers and other officers and makes recommendations regarding the compensation of the named executive officers and other officers and managers of the company, while the Compensation Committee reviews the performance of our principal executive officer. The conclusions and recommendations resulting from our principal executive officer's review are then presented to the Compensation Committee for its consideration and approval. The Compensation Committee can exercise its discretion in modifying any of our principal executive officer's recommendations. The Compensation Committee may delegate its authority to a subcommittee of its members.

In performing its functions, the Compensation Committee may retain or obtain the advice of such compensation consultants, legal counsel and other advisors. In March 2022, the Compensation Committee engaged Haigh & Company as its independent compensation consultant. With the assistance of Haigh & Company, the Compensation Committee developed and implemented an organizational framework covering salary, annual bonus and equity ownership, with the goal of attracting and retaining talented individuals who are critical to the Company's long-term success and aligning pay with performance. Based on the information received from the consultant, the Compensation Committee believes that the work Haigh & Company performed in 2020 did not raise a conflict of interest and that it was fully independent. The Compensation Committee had previously engaged Haigh & Company in September 2020 as its independent compensation consultant.

### *Nominating, Environmental, Social and Corporate Governance Committee*

The Nominating, Environmental, Social and Corporate Governance Committee is currently comprised of, Mr. Melton, Mr. Hawkins and Ms. Cormier-May. The Nominating, Environmental, Social and Corporate Governance Committee Charter requires that the Nominating, Environmental, Social and Corporate Governance Committee consist of at least two members of the Board, each of whom is required to be independent as defined by Nasdaq rules. The Board has determined that each member of the Nominating, Environmental, Social and Corporate Governance Committee is independent, as defined in Nasdaq Marketplace Rule 5605(a)(2). Specific responsibilities of the Nominating, Environmental, Social and Corporate Governance Committee include: (i) considering and recommending to the Board, candidates for election to the Board; (ii) considering recommendations and proposals submitted by stockholders in respect of Board nominees, establishing policies in respect of such recommendations and proposals (including stockholder communications with the board of directors), and recommending any action to the Board in respect of such stockholder recommendations and proposals; (iii) identifying, evaluating and recommending to the board of directors, candidates to serve on committees of the Board; (iv) assessing the performance of the Board; (v) reviewing the Company's sustainability and societal impact and (vi) reviewing risk governance structure, risk assessment and risk management practices and guidelines, policies and processes for risk assessment and risk management, including cyber security measures.

### **Role of the Board in Risk Oversight**

Our executive officers are responsible for the day-to-day management of risks the Company faces, while our Board has an advisory role in the Company's risk management process, as a whole and at the committee level, and, in particular, the Board is responsible for monitoring and assessing strategic and operational risk exposures, including cybersecurity risk. The Board and committees rely on the representations of management, the external audit of our financial and operating results, our systems of internal control and our historic practices when assessing the Company's risks. The Audit Committee oversees management of financial risk exposures and the steps management has taken to monitor and control these exposures, and additionally provides oversight of internal controls. The Compensation Committee, in conjunction with the Audit Committee, assesses and monitors whether any of the Company's compensation policies and programs have the potential to encourage excessive risk-taking. While each committee is responsible for evaluating certain risks and overseeing the management of such risks, the entire Board is regularly informed about such risks by committee reports, as well as advice and counsel from expert advisors.

### **Family Relationships**

There are no family relationships between the directors of the Board or any of the executive officers of the Company.

### **Conduct of Board Meetings**

The Chairman sets the agenda for Board meetings with the understanding that the Board is responsible for providing suggestions for agenda items that are aligned with the advisory and monitoring functions of the Board. Agenda items that fall within the scope of responsibilities of a committee of the Board are reviewed with the chair of that committee. Any member of the Board may request that an item be included on the agenda. Board materials related to agenda items are provided to Board members sufficiently in advance of Board meetings to allow the directors to prepare for discussion of the items at the meeting. At the invitation of the Board, members of senior management recommended by the Chairman attend Board meetings or portions thereof for the purpose of participating in discussions.

### **Code of Business Conduct and Ethics**

Our Board has adopted a Code of Business Conduct and Ethics that applies to all of our employees, officers and directors, including our principal executive officer, principal financial officer and principal accounting officer. The Code of Business Conduct and Ethics is posted on our website at <https://www.safeandgreenholdings.com> under the "Investors — Corporate Governance" tab, and is available free of charge, upon request to our Corporate Secretary at Safe & Green Holdings Corp., 990 Biscayne Blvd., #501, Office 12, Miami, FL 33132; telephone number: (646) 240-4235. Any substantive amendment of the Code of Business Conduct and Ethics, and any waiver of the Code of Business Conduct and Ethics for executive officers or directors, will be made only after approval by the Board or a committee of the Board and will be disclosed on our website. In addition, any such waiver will be disclosed within four days on a Form 8-K filed with the SEC if then required by applicable rules and regulations.

## Item 11. Executive Compensation.

We are a “smaller reporting company” and the following compensation disclosure is intended to comply with the requirements applicable to smaller reporting companies. Although the rules allow us to provide less detail about its executive compensation program, the Compensation Committee is committed to providing the information necessary to help stockholders understand its executive compensation-related decisions. Accordingly, this section includes supplemental narratives that describe the 2022 executive compensation program for our named executive officers.

The following discussion and table relates to compensation arrangements on behalf of, and compensation paid by our Company to, our “named executive officers”: Paul M. Galvin, Gerald Sheeran, and William Rogers.

### Summary Compensation Table

The following table sets forth all compensation awarded to, paid to or earned by the following named executive officers for the fiscal years ended December 31, 2022 and 2021:

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$) <sup>(1)</sup>	All Other Compensation (\$) <sup>(2)</sup>	Total (\$)
Paul M. Galvin, Chairman and Chief Executive Officer and Interim Chief Financial Officer	2022	\$ 450,000	\$ 150,000	\$ 402,500	\$ 36,705	\$ 1,039,205
	2021	\$ 400,000	\$ 100,000	\$ 1,183,000	\$ 40,657	\$ 1,723,657
Gerald Sheeran, Former Acting Chief Financial Officer and Controller	2022	\$ 196,875	\$ 56,250	\$ —	\$ 175,814	\$ 428,939
	2021	\$ 191,250	\$ 64,250	\$ 338,000	\$ 17,529	\$ 611,029
William Rogers Chief Operating Officer	2022	\$ 300,000	\$ 75,000	\$ —	\$ 26,210	\$ 401,210
	2021	\$ 300,000	\$ 75,000	\$ 802,750	\$ 9,903	\$ 1,187,653

(1) On November 3, 2022, the Compensation Committee granted RSUs with a value of \$402,500 to Mr. Galvin. On October 1, 2021, the Compensation Committee granted RSUs with a value of \$1,183,000 to Mr. Galvin, \$802,750 to Mr. Rogers and \$338,000 to Mr. Sheeran. This column indicates the aggregate grant date fair value, as determined in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation — Stock Compensation (“FASB ASC Topic 718”). See “Note 19 — Share-based Compensation” of the Notes to Consolidated Financial Statements contained in our Annual Report on Form 10-K for the year ended December 31, 2022 for an explanation of the assumptions made in valuing these awards.

(2) For 2022, all other compensation consisted of: Mr. Galvin — automobile allowance of \$9,600, medical insurance allowance of \$25,305 and phone allowance of \$1,800; Mr. Sheeran — phone allowance of \$500, automobile allowance of \$2,000, medical insurance allowance of \$4,064, restricted common shares with an approximate value of \$38,000 from his separation agreement and a separation payment of \$131,250; Mr. Rogers — medical insurance allowance of \$10,410, and \$14,300 matching contributions under the Company’s qualified 401 (k) plan and \$1,500 phone allowance. For 2021, all other compensation consisted of: Mr. Galvin — automobile allowance of \$9,600, medical insurance allowance of \$29,257 and phone allowance of \$1,800; Mr. Sheeran — phone allowance of \$1,500, automobile allowance of \$1,500, \$5,125 matching contributions under the Company’s 401(k) plan, medical insurance allowance of \$9,404; Mr. Rogers — medical insurance allowance of \$8,278 and \$1,625 phone allowance.

(3) Mr. Sheeran’s employment with us terminated on May 12, 2022. Mr. Galvin was appointed Interim Chief Financial Officer on May 18, 2022.

## Narrative Disclosure to Summary Compensation Table

Following is a brief summary of each core element of the compensation program for our named executive officers.

### Base Salary

We provide competitive base salaries that are intended to attract and retain key executive talent. Base salary levels depend on the executive's position, responsibilities, experience, market factors, recruitment and retention factors, internal equity factors and our overall compensation philosophy. Effective January 1, 2017, we entered into an employment agreement with Mr. Galvin as described further below under "Employment Agreements." On July 24, 2018, the Compensation Committee approved an increase to the annual base salary of Mr. Galvin, the Company's President, retroactive to January 1, 2018. Mr. Galvin's salary increased from \$240,000 to \$370,000. Such increases were based on a competitive market assessment provided by Haigh & Company, the Compensation Committee's independent compensation consultant. On December 1, 2019, the annual base salary for Mr. Galvin decreased from \$370,000 to \$180,000. On April 24, 2020, the annual base salary for Mr. Galvin increased from \$180,000 to \$400,000. On July 5, 2022, the annual base salary for Mr. Galvin increased to \$500,000.

On August 22, 2019, the Board appointed Gerald Sheeran, the former Controller of the Company, as the acting Chief Financial Officer of the Company. Effective on August 21, 2019, the annual base salary of Mr. Sheeran increased from \$120,000 to \$180,000 as a result of his appointment to Acting Chief Financial Officer. The annual base salary for Mr. Sheeran decreased from \$180,000 to \$120,000 effective December 1, 2019. On May 15, 2020, the annual base salary for Mr. Sheeran increased from \$120,000 to \$180,000. On September 30, 2021, we entered into an employment agreement with Mr. Sheeran as described further below under "Employment Agreements" pursuant to which the annual base salary for Mr. Sheeran increased from \$180,000 to \$225,000. Mr. Sheeran's employment terminated on May 12, 2022. As part of his separation agreement, Mr. Sheeran received cash consideration of \$131,250, as well as 22,000 shares of restricted common stock.

On December 7, 2020, the Company appointed William Rogers to serve as the Company's Chief Operations Officer with an annual base salary of \$300,000 per year. On September 27, 2021, we entered into an employment agreement with William Rogers as described further below under "Employment Agreements".

Pursuant to the terms of the Rogers Employment Agreement, October 1, 2021, Mr. Rogers was issued a restricted stock grant under our Stock Incentive Plan, as amended (the "Plan"), of 37,500 shares of the Company's common stock, vesting upon issuance, and the grant to Mr. Rogers of a restricted stock grant under the Plan of 200,000 shares of our common stock, vesting monthly over two years.

### Bonus Payments

Bonus' were accrued in 2022 for Mr. Galvin for \$50,000 and Mr. Rogers for \$60,000. Mr. Galvin was paid \$50,000 of his 2022 bonus during 2022. Bonus' were accrued in 2021 for Mr. Galvin for \$100,000, Mr. Rogers for \$75,000 and Mr. Sheeran for \$56,250 and subsequently paid in 2022. Mr. Sheeran had a bonus of \$8,000 in 2021 that was approved by management prior to Mr. Sheeran entering into the executive employment agreement.

### Equity Awards

During 2021 and 2022, we granted restricted stock unit awards to our key employees, including our named executive officers, as the long-term incentive component of our compensation program.

## Employment Agreements

The following discussion relates to compensation arrangements on behalf of, and compensation paid by the Company to, Messrs. Galvin, and Armstrong pursuant to the terms of their employment/consulting agreements with the Company.

### *Paul M. Galvin*

We employ Mr. Galvin, our Chief Executive Officer, Interim Chief Financial Officer and Chairman of the Board, pursuant to an employment agreement, effective January 1, 2017. The employment agreement provided for an initial term of two years, with automatic renewals unless earlier terminated pursuant to the provisions of the employment agreement. The employment agreement originally provided for base compensation in the amount of \$240,000 per year, which was increased to \$370,000 in early 2019, but subsequently reduced to \$180,000 in December 2019. The employment agreement also provides for incentive compensation at the discretion of our Board. The agreement provides for the payment of severance compensation in an amount equal to one year of his base annual salary, if his employment is terminated by the Company other than for "Cause," as defined therein. In April 2020, we entered into an amendment to Mr. Galvin's employment agreement to December 31, 2021 and increased the annual base salary to \$400,000, provide for a performance bonus structure for a bonus of up to 50% of base salary upon the Company's achievement of \$2,000,000 EBITDA and additional performance bonus payments for the achievement of EBITDA in excess of \$2,000,000 based on a percentage of the incremental increase in EBITDA (ranging from 10% of the incremental increase in EBITDA if the Company achieves over \$2,000,000 and up to \$7,000,000 in EBITDA, 8% of the incremental increase in EBITDA if the Company achieves over \$7,000,000 and up to \$12,000,000 in EBITDA and 3% of the incremental increase in EBITDA over \$12,000,000), provide for a profits-based additional bonus of up to \$250,000 in certain limited circumstances, and provide for one (1) year severance, plus a pro-rated amount of any unpaid bonus earned by him during the year as verified by the Company's principal financial officer, if Mr. Galvin is terminated without cause. At the Company's option, up to fifty (50%) percent of the EBITDA performance bonuses may be paid in restricted stock units if then available for grant under the Company's Stock Incentive Plan. In July 2022, we entered into an amendment to Mr. Galvin's employment agreement to increase his annual base salary to \$500,000. All other terms of the employment agreement remain in full force and effect.

### *William Rogers*

On September 27, 2021, we entered into an executive employment agreement with William Rogers to employ Mr. Rogers as the Company's Chief Operating Officer for an initial term of two (2) years, which provides for an annual base salary of \$300,000, a discretionary bonus of up to 25% of his base salary upon achievement of objectives as may be determined by the Company's board of directors, term life insurance coverage equal to two (2) times annual base salary, three weeks' vacation and severance in the event of a termination without cause in amount equal to one year's annual base salary and benefits.

Pursuant to the terms of the Rogers Employment Agreement, October 1, 2021, Mr. Rogers was issued a restricted stock grant under our Plan of 37,500 shares of the Company's common stock, vesting upon issuance, and a restricted stock grant under the Plan of 200,000 shares of our common stock, vesting monthly over two years.

Mr. Rogers is subject to a one-year post-termination non-compete and non-solicit of employees and clients. He is also bound by confidentiality provisions.



*Gerald Sheeran*

On September 30, 2021, we entered into an executive employment agreement with Gerald Sheeran to employ Mr. Sheeran as the Company's Acting Chief Financial Officer for an initial term of two (2) years, which provides for an annual base salary of \$225,000, a discretionary bonus of up to 25% of his base salary upon achievement of objectives as may be determined by the Company's board of directors, a car allowance and severance in the event of a termination without cause in amount equal to equal to one year's annual base salary and benefits.

Pursuant to the terms of the employment agreement, we issued a restricted stock grant under the Plan of 100,000 shares of common stock, vesting quarterly over two (2) years.

Mr. Sheeran is subject to a one-year post-termination non-compete and non-solicit of employees and clients. He is also bound by confidentiality provisions.

Mr. Sheeran's employment terminated on May 12, 2022. As part of his separation agreement, Mr. Sheeran received cash consideration of \$131,250 as well as 22,000 shares of restricted common stock.

*David Villarreal*

On February 3, 2023, SG DevCorp. entered into an executive employment agreement with David Villarreal to employ Mr. Villarreal as its President and Chief Executive Officer for an initial term of two (2) years, which provides for an annual base salary of \$300,000, a discretionary bonus of up to 25% of his base salary upon achievement of objectives as may be determined by the SG DevCorp. board of directors and severance in the event of a termination without cause in amount equal to equal to one year's annual base salary and benefits.

Pursuant to the terms of the employment agreement, subject to SG DevCorp. Board of Directors approval, SG DevCorp. agreed to issue to Mr. Villarreal a restricted stock grant of under SG DevCorp.'s 2023 Incentive Compensation Plan for six hundred fifty thousand shares (650,000) shares of SG DevCorp.'s common stock, vesting fifty percent (50%) upon issuance, with the balance vesting quarterly on a pro-rata basis over the next eighteen (18) months of continuous service.

Mr. Villarreal is subject to a one-year post-termination non-compete and non-solicit of employees and clients. He is also bound by confidentiality provisions.

## RSU Grants

On November 3, 2022, the Company's Compensation Committee (the "Compensation Committee") of the Board of Directors of Safe & Green granted Paul Galvin, the Company's Chairman and CEO, an award of 250,000 restricted stock units (RSUs) under the Plan vesting quarterly over two years.

### Retirement, Health, Welfare, and Additional Benefits

Our executive officers are eligible to participate in our employee benefit plans and programs, including medical benefits, flexible spending accounts, short and long-term disability and life insurance, to the same extent as our other full-time employees, subject to the terms and eligibility requirements of those plans. Our executive officers are also eligible to participate in a tax-qualified 401(k) defined contribution plan to the same extent as our other full-time employees. Currently, we do match contributions made by participants in the 401(k) plan or make other contributions to participant accounts.

### Outstanding Equity Awards at Fiscal Year-End

The following table sets forth information regarding the outstanding option awards held by the named executive officers as of December 31, 2022:

Name	Grant Date	Options Awards				Stock Awards	
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of shares or units of stock that have not vested (#)	Market value of shares or units of stock that have not vested (\$)
Paul M. Galvin	11/3/2022	—	—	—	—	218,750(6)	\$ 299,688
	10/1/2021	—	—	—	—	131,250(7)	\$ 179,813
	3/30/2018	4,108(5)	—	\$ 92.20	3/30/2028	—	—
	3/10/2017	5,298(1)	—	\$ 100.00	3/10/2027	—	—
	3/10/2017	3,973(1)	—	\$ 120.00	3/10/2027	—	—
	1/30/2017	4,841(2)	—	\$ 60.00	1/30/2027	—	—
	11/01/2016	4,914(3)	—	\$ 60.00	11/01/2026	—	—
	11/01/2016	667(4)	—	\$ 60.00	11/01/2026	—	—
William Rogers	10/1/2021	—	—	—	—	75,000(8)	\$ 102,750

- (1) In connection with a public offering by the Company, completed in June 2017, Mr. Galvin was granted performance-based option awards, to vest upon the completion of certain conditions. A portion of the shares were granted at an exercise price to equal the price per share at which the public purchased shares in the offering (\$100.00 per share), while the remainder were granted at an exercise price equal to 120% of such price per share (\$120.00 per share). In September 2017, the Compensation Committee determined that each of Mr. Galvin met his respective performance conditions, and the option awards vested in full.
- (2) With respect to Mr. Galvin, 990 options vested on the grant date, while the remaining 3,851 vested in equal quarterly installments on the last day of each fiscal quarter following the date of grant over a two-year period. All options vested in full as of December 31, 2018.
- (3) Of these options, 2,184 vested on the grant date, while the remainder vest in three equal installments of 910 on the three anniversaries following the grant date. Such options vested in full as of November 1, 2019.
- (4) Mr. Galvin received these options in connection with their service as directors of the Company. The options vested in equal quarterly installments on the last day of each fiscal quarter following the date of grant and vested in full as of September 30, 2017.
- (5) These options vest in equal quarterly installments over a two year period, beginning March 31, 2018, and vested in full as of December 31, 2019.
- (6) The shares subject to these restricted stock units vest in equal installments over a two year period, beginning November 3, 2022 and vest in full as of October 1, 2024.
- (7) The shares subject to these restricted stock units vest in quarterly installments over a two year period, beginning October 1, 2021, and vest in full as of September 30, 2023.
- (8) The shares subject to these restricted stock units vest in equal monthly installments over a two year period, beginning October 1, 2021, and vest in full as of September 30, 2023.

## **DIRECTOR COMPENSATION**

### **Compensation Program**

Our director compensation program is designed to attract and retain highly qualified directors and align their interests with those of our stockholders. We compensate directors who are not employed by the Company with a combination of cash and equity awards. Mr. Galvin did not receive any compensation for serving on our Board in 2022.

The Compensation Committee reviews the director compensation program and recommends proposed changes for approval by the Board. As part of this review, the Compensation Committee considers the significant amount of time expended, and the skill level required, by each director not employed by the Company in fulfilling his or her duties on the Board, each director's role and involvement on the Board and its committees and the market compensation practices and levels of our peer companies.

During its annual review of the director compensation program in 2021, the Compensation Committee considered an analysis prepared by its independent consultant, Haigh & Company, which summarized director compensation trends for independent directors and pay levels at the same peer companies used to evaluate the compensation of our named executive officers. Following this review, and after considering the advice of Haigh & Company about market practices and pay levels, the Compensation Committee recommended, and the Board approved, the new compensation program for non-employee directors described below, which remained in effect during 2022.

### Cash Fees

The following table sets forth the cash fee schedule for compensating non-employee directors from January 2022 through December 2022:

		1/22 – 12/22
Annual Board Retainer	\$	40,000
Lead Independent Director	\$	12,500
Audit Committee Chair	\$	12,500
Compensation Committee Chair	\$	12,500
Nominating, Environmental, Social and Corporate Governance Committee Chair	\$	7,500

The above fees are to be paid quarterly in four equal installments, to each person serving as a non-employee director at the time when such payment is made. Non-employee directors may choose to receive the annual Board retainer as equity in restricted stock units ("RSUs"), in, effective January 15 of the year in which the annual cash retainer is otherwise earned. Among other things, each RSU granted represents the right to receive one share of Common Stock; vests one year after grant, subject to the recipient's continued service as a director of the Company through such date; and is payable six months after the termination of the director from the Board or death or disability. Directors receive no additional per-meeting fee for Board or committee meeting attendance.

### Annual Equity Awards

In addition, pursuant to the Plan, during 2022 non-employee directors received an annual grant of 80,000 RSUs (the "Equity Awards"), with a grant date value of approximately \$104,000. The RSUs were issued on November 18, 2022 and vest quarterly over two years from the date of grant and, if earlier, in full on the date of the 2023 Annual Meeting of Shareholders.

### Additional Compensation

In connection with special committees that the Board may form from time to time in connection with various transactions or undertakings, the Board may award additional compensation to the directors, in its discretion, for membership on such special committees. The Board may, from time to time, grant additional merit-based cash or equity compensation to non-employee directors for extraordinary service. All directors are reimbursed for expenses incurred in connection with each Board and committee meeting attended.

## DIRECTOR COMPENSATION TABLE

The following table sets forth information regarding all forms of compensation that were both earned by and paid to our non-employee directors during the year ended December 31, 2022. The compensation arrangements for Mr. Galvin is disclosed in the Summary Compensation Table set forth in the “Executive Compensation” section of this Annual Report. Mr. Galvin did not receive compensation for his services as a director during the year ended December 31, 2022.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards <sup>(1)</sup>	All Other Compensation (\$)	Total
Yaniv Blumenfeld (2)	\$ 40,000	\$ 26,000	\$ —	\$ 66,000
Maggie Coleman	\$ 35,626	\$ —	\$ —	\$ 35,626
Christopher Melton	\$ 52,500	\$ 26,000	\$ —	\$ 78,500
Joseph Safina (3)	\$ 40,000	\$ 26,000	\$ —	\$ 66,000
David Villarreal (3)	\$ 65,000	\$ 26,000	\$ —	\$ 91,000
Shafron Hawkins (4)	\$ —	\$ —	\$ —	\$ —

- (1) This column indicates the aggregate grant date fair value, as determined in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation — Stock Compensation (“FASB ASC Topic 718”), of the RSUs granted in November 2022. See “Note 19 — Share-based Compensation” of the Notes to Consolidated Financial Statements contained in our Annual Report on Form 10-K for the year ended December 31, 2022 for an explanation of the assumptions made in valuing these awards.
- (2) Does not include \$66,296 paid to a company controlled by Mr. Blumenfeld for development work related to the Company’s Lago Vista project and \$75,000 in consulting fees paid to Mr. Blumenfeld’s spouse in connection with the Company’s Covid 19 testing program.
- (3) Mr. Safina and Mr. Villarreal joined the Board in May 2021 and Mr. Safina resigned as a Board member on November 20, 2022.
- (4) Mr. Hawkins joined the Board on December 22, 2022.

The aggregate number of option and stock awards outstanding (including exercisable and unexercised stock options and vested and unvested RSUs) as of December 31, 2022 for each non-employee director was as follows:

Name	Option Awards (#)	Stock Awards (#)
Yaniv Blumenfeld	—	50,625
Maggie Coleman	—	32,754
Christopher Melton	833	50,625
Joseph Safina	—	31,834
David Villarreal	—	31,834
Shafron Hawkins	—	—

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.**

Unless otherwise indicated the mailing address of each of the stockholders below is c/o Safe & Green Holdings Corp., 990 Biscayne Blvd., #501, Office 12, Miami, FL 33132. Except as otherwise indicated, and subject to applicable community property laws, except to the extent authority is shared by both spouses under applicable law, the Company believes the persons named in the table have sole voting and investment power with respect to all shares of common stock held by them.

The following table sets forth certain information, as of March 29, 2023, with respect to the beneficial ownership of our common stock by each of the following:

- each person who is known by us to be the beneficial owner of more than 5% of our outstanding stock;
- each of our directors;
- each of our named executive officers; and
- all of our directors and executive officers as a group.

As of March 29, 2023, we had 14,314,800 shares of common stock outstanding.

We have determined beneficial ownership in accordance with the rules of the SEC. These rules generally attribute beneficial ownership of securities to persons who possess sole or shared voting power or investment power with respect to those securities. Unless otherwise indicated, the persons or entities identified in this table have sole voting and investment power with respect to all shares shown as beneficially owned by them, subject to applicable community property laws.

Name of Beneficial Owner <sup>(1)</sup>	Common Stock	Shares subject to Options & RSU	Total Number of Shares Beneficially Owned	Percentage Ownership
<b>Executive Officers &amp; Directors</b>				
Paul M. Galvin, Chairman and Chief Executive Officer <sup>(2)</sup>	384,679	95,810	480,489	3.3 %
Yaniv Blumenfeld, Director <sup>(3)</sup>	44,029	7,791	51,820	*
Christopher Melton, Director <sup>(4)</sup>	27,405	9,610	37,015	*
Elizabeth Cormier-May, Director	—	—	—	*
William Rogers <sup>(6)</sup>	94,807	28,627	123,434	*
Gerald Sheeran, Former Acting Chief Financial Officer <sup>(6)</sup>	45,908	42,092	88,000	*
David Villarreal, Director <sup>(7)</sup>	9,895	6,939	16,834	*
Shafron Hawkins	—	—	—	—
<b>All Named Executive Officers and Directors, as a group (9 persons)</b>	606,723	190,869	797,592	5.57 %
<b>Greater than 5% stockholders other than executive officers and directors</b>				
<b>Group One Trading, LP<sup>(8)</sup></b>	1,307,907			9.14 %
<b>John William Shaw<sup>(9)</sup></b>	3,148,500			20.92 %

\* Less than 1% ownership interest.

- (1) The number of shares and the percent beneficially owned by each entity or individual are based upon 14,314,800 shares of common stock outstanding and assume the exercise of all exercisable options and vesting of all outstanding time-based restricted stock units (including those that would be exercisable or vested within 60 days of March 29, 2023). The percent beneficially owned is a fraction, the numerator of which is the number of shares of common stock beneficially owned by each entity or individual (including any exercisable options, as described herein) and the denominator of which is the number of outstanding shares of common stock plus the number of shares of common stock which would be issued upon (i) exercise by the subject entity or individual of such entity or individual's own options and warrants and (ii) vesting of outstanding time-based restricted stock units. This method of computing the percent beneficially owned results in the aggregate ownership percentages of all owners exceeding 100%.
- (2) Includes 384,172 shares of common stock held directly by Mr. Galvin and 507 shares held by TAG Partners, LLC ("TAG"), an investment partnership formed for the purpose of investing in the Company. Mr. Galvin is a managing member of and has a controlling interest in TAG and may be deemed to beneficially own the share of common stock held by TAG, over which he has shared voting and dispositive power. Mr. Galvin disclaims beneficial ownership of the shares of common stock held by TAG except to the extent of his pecuniary interest therein. Also includes 23,800 options to purchase our common shares presently exercisable or exercisable within 60 days of March 29, 2023. Includes 72,010 in vested RSUs and does not include 275,000 unvested RSUs that will not vest within 60 days of March 29, 2023.
- (3) Includes 44,029 shares of common stock directly held by Mr. Blumenfeld. Includes 7,791 in vested RSUs and does not include 15,896 unvested RSUs that will not vest within 60 days of March 29, 2023.
- (4) Includes 20 shares of common stock held in Mr. Melton's retirement account, which Mr. Melton indirectly owns, and 27,385 shares of common stock held directly by Mr. Melton. Includes 833 options held by Mr. Melton to purchase our common stock presently exercisable or exercisable within 60 days of March 29, 2023. Includes 8,777 in vested RSUs and does not include 15,000 unvested RSUs that will not vest within 60 days of March 29, 2023.
- (5) Includes 94,807 shares of common stock directly held by Mr. Rogers. Includes 28,627 in vested RSUs and does not include 58,333 unvested RSUs that will not vest within 60 days of March 29, 2023.
- (6) Includes 45,908 shares of common stock held by Mr. Sheeran. Also includes 1,250 options to purchase common stock presently exercisable or exercisable within 60 days of March 29, 2023. Includes 40,842 in vested RSUs.
- (7) Includes 9,895 shares of common stock directly held by Mr. Villarreal. Includes 6,939 in vested RSUs and does not include 15,000 unvested RSUs that will not vest within 60 days of March 29, 2023.
- (8) Information is based upon a Schedule 13G filed with the SEC on June 3, 2022 by Kyle Tondo-Kramer, the Chief Compliance Officer of Group One Trading, LP. The address of Group One Trading, LP is 425 S. Financial Place, Suite 3400, Chicago, Illinois 60605.
- (9) Information is based upon a Schedule 13D filed with the SEC on March 29, 2023 by John William Shaw. The address of Mr. Shaw is 1005 E. Las Tunas Drive, #116, San Gabriel, California 91776. This amount (a) includes the rights to purchase 734,500 shares in the aggregate that are exercisable subject to various call option contracts and (b) excludes short put option contracts pursuant to which the Reporting Person may be required to purchase up to 1,306,100 shares in the aggregate.

#### **Equity Compensation Plan Information**

See Part II, Item 5— Equity Compensation Plan Information for certain information regarding our equity compensation plans.

### **Item 13. Certain Relationships and Related Transactions, and Director Independence.**

#### ***Related Party Transactions***

The following is a summary of transactions since January 1, 2021 to which we have been a party in which the amount involved exceeded \$120,000 and in which any of our executive officers, directors or beneficial holders of more than five percent of our capital stock had or will have a direct or indirect material interest, other than compensation arrangements and equity awards granted to our executive officers and directors during 2021 and 2022 that are described under the sections of this proxy statement entitled “Executive Compensation” and “Director Compensation”.

On January 21, 2020, CPF GP 2019-1 LLC (“CPF GP”) issued to the Company a promissory note in the principal amount of \$400,000 (the “Company Note”) and issued to Paul Galvin, the Company’s Chairman and CEO, a promissory note in the principal amount of \$100,000 (the “Galvin Note”). The transaction closed on January 22, 2019, on which date the Company loaned CPF GP 2019-1 LLC \$400,000 and Mr. Galvin personally loaned CPF GP \$100,000 on behalf of the Company.

The Company Note and Galvin Note were issued pursuant to the Loan Agreement and Promissory Note, dated October 3, 2019, as amended on October 15, 2019 and November 7, 2019 by and between the CPF GP and the Company, and bear interest at five percent (5%) per annum, payable, together with the unpaid principal amount of the promissory notes, on the earlier of the July 31, 2023 maturity date or upon the liquidation, redemption sale or issuance of a dividend upon the LLC interests in CPF MF 2019-1 LLC, a Texas limited liability company of which CPF GP is the general partner. The terms of the Galvin Note, however, provide that all interest payments due to Mr. Galvin under the Galvin Note shall be paid directly to, and for the benefit of, the Company. In connection with the issuance of the Company Note and the Galvin Note, CPF GP, the Company and Mr. Galvin entered into a Security Agreement, dated January 21, 2020, pursuant to which CPF GP granted a security interest in its LLC interests in CPF MF 2019-1 LLC to the Company and Mr. Galvin to secure its obligations thereunder. Subsequent to the year ended December 31, 2021, the Galvin Note was assigned to the Company and the principal amount of \$100,000 was returned to Mr. Galvin. The Company has a promissory note in the principal amount of \$00,000 and the assignment of the promissory note occurred in January 2022.

On or about September 14, 2021, the Company and its former President and Chief Financial Officer, Mahesh Shetty, entered into a settlement and release agreement resolving their respective claims. On September 14, 2021, the parties filed a joint motion seeking court approval of the settlement. The motion to approve the settlement remains pending before the court.

During 2021, the Company paid a company controlled by Yaniv Blumenfeld \$66,296 for development work related to the Company’s Lago Vista project and paid Mr. Blumenfeld’s spouse \$75,642 in consulting fees in connection with the Company’s COVID-19 testing program.

#### ***Related Party Review Procedures***

Pursuant to our Audit Committee charter, our Audit Committee reviews on an on-going basis our policies and procedures for reviewing and approving or ratifying all “Related Party Transactions” (defined as transactions required to be disclosed pursuant to Item 404 of Regulation S-K), including the Company’s Related Person Transaction Policy, and recommend any changes to the Board. In accordance with our Related Person Transaction Policy and Nasdaq Rule 4350 (h), the Audit Committee conducts appropriate review and oversight of all related person transactions for potential conflict of interest situations on an ongoing basis. Any transaction with a related person is subject to our written policy for transactions with related persons. Pursuant to such policy, our Audit Committee reviews in advance all related person transactions. The Audit Committee approves only those related person transactions that are determined to be in, or not inconsistent with, the best interests of the Company and its stockholders, taking into account all available facts and circumstances as the Audit Committee determines in good faith to be necessary. These facts and circumstances will typically include, but not be limited to: whether the transaction was undertaken in the ordinary course of business of the Company; the purpose and potential benefits of the transaction to the Company; the terms of the transaction and of comparable transactions that would be available to unrelated third parties or to employees generally; and the impact on a director’s independence in the event the related person is a director, an immediate family member of a director or an entity in which a director is a partner, stockholder or executive officer. In reviewing and approving such transactions, the Audit Committee obtains, or will direct management to obtain on its behalf, all information that the Audit Committee believes to be relevant and important to a review of the transaction prior to its approval. The Audit Committee may adopt any further policies and procedures relating to the approval of related person transactions that it deems necessary or advisable from time to time.

#### ***Director Independence***

The information included under the heading “Director Independence” in Part III, Item 10 is hereby incorporated by reference into this Item 13.



**Item 14. Principal Accountant Fees and Services.**

Whitley Penn LLP serves as our independent registered public accounting firm.

**Independent Registered Public Accounting Firm Fees**

The following table sets forth the aggregate fees for professional service rendered by Whitley Penn for each of the last two fiscal years:

	2022	2021
Audit fees <sup>(1)</sup>	\$ 251,500	\$ 225,000
Audit-related fees <sup>(2)</sup>	—	—
Tax fees <sup>(3)</sup>	—	—
All other fees <sup>(4)</sup>	—	—
<b>Totals</b>	<b>\$ 251,500</b>	<b>\$ 225,000</b>

- (1) Audit fees include fees paid to Whitley Penn for professional services rendered for the audit for our annual financial statements and reviews of the financial statements included in our Quarterly Reports on Form 10-Q and fees related to securities registration statements and related comfort letter procedures.
- (2) Audit-related fees principally involve other assurance and related services.
- (3) Tax services include tax compliance and tax planning consulting services. No tax services were performed for us by Whitley Penn in 2022 or 2021.
- (4) No other services were performed for us by Whitley Penn in 2022 or 2021.

The Audit Committee has implemented pre-approval procedures consistent with the rules adopted by the SEC. All audit services to be provided to the Company by our independent public accounting firm, Whitley Penn, are pre-approved by the Audit Committee prior to the initiation of such services (except for items exempt from pre-approval requirements under applicable laws and rules). The Audit Committee has determined that the provision of the services by Whitley Penn reported hereunder had no impact on its independence.

**PART IV**

**Item 15. Exhibit and Financial Statement Schedules.**

**(a)(1) INDEX TO 2022 CONSOLIDATED FINANCIAL STATEMENTS:**

Our financial statements and the notes thereto, together with the report thereon of Whitley Penn LLP, our registered public accounting firm, dated March 30, 2023, appear beginning on page F-1 of this Annual Report. See of the Consolidated Financial Statements included in this Annual Report.

**(a)(2) FINANCIAL STATEMENT SCHEDULES**

All financial statement schedules are omitted because they are not applicable, not material or the required information is shown in the financial statements or notes thereto.

**(a)(3) EXHIBITS**

The information required by this Item is listed in the accompanying Exhibit Index below.

**Item 16. Form 10-K Summary.**

Not applicable.

**Exhibit Index**

<b>Exhibit No.</b>	<b>Description</b>
2.1	<a href="#"><u>Order Confirming Debtors' Amended Plan of Reorganization Under Chapter 11 of the Bankruptcy Code (incorporated herein by reference to Exhibit 2.1 to the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on July 7, 2016 (File No. 000-22563)).</u></a>
2.2	<a href="#"><u>Disclosure Statement for Amended Plan of Reorganization for Safe &amp; Green, et al. under Chapter 11 of the Bankruptcy Code (incorporated herein by reference to Exhibit 2.2 to the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on July 7, 2016 (File No. 000-22563)).</u></a>
2.3	<a href="#"><u>Order of the Bankruptcy Court for the Southern District of New York Approving the Disclosure Statement and Setting Plan of Reorganization Confirmation Deadlines (incorporated herein by reference to Exhibit 2.3 to the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on July 7, 2016 (File No. 000-22563)).</u></a>
3.1	<a href="#"><u>Amended and Restated Certificate of Incorporation of the Company (incorporated herein by reference to Exhibit 3.1 to the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on July 7, 2016 (File No. 000-22563)).</u></a>
3.2	<a href="#"><u>Certificate of Designation of Preferences, Rights and Limitations of Series A Convertible Preferred Stock (incorporated herein by reference to Exhibit 3.2 to the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on July 7, 2016 (File No. 000-22563)).</u></a>
3.3	<a href="#"><u>Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the Company (incorporated herein by reference to Exhibit 3.1 to the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on February 28, 2017 (File No. 000-22563)).</u></a>
3.4	<a href="#"><u>Certificate of Amendment to Certificate of Designation, dated May 11, 2017 (incorporated herein by reference to Exhibit 3.1 to the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on May 12, 2017 (File No. 001-38037)).</u></a>
3.5	<a href="#"><u>Certificate of Elimination of Series A Convertible Preferred Stock, dated December 13, 2018 (incorporated herein by reference to Exhibit 3.1 to the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on December 17, 2018 (File No. 001-38037)).</u></a>
3.6	<a href="#"><u>Certificate of Amendment to the Amended and Restated Certificate of Incorporation dated June 5, 2019 (incorporated herein by reference to Exhibit 3.1 to the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on June 5, 2019 (File No. 001-38037)).</u></a>
3.7	<a href="#"><u>Form of Certificate of Designation of the Series B Convertible Preferred Stock (incorporated herein by reference to Exhibit 3.7 to the Registration Statement on Form S-1/A as filed by the Registrant with the Securities and Exchange Commission on December 9, 2019 (File No. 333-235295)).</u></a>
3.8	<a href="#"><u>Certificate of Amendment to the Amended and Restated Certificate of Incorporation, as amended, of the Company (incorporated herein by reference to Exhibit 3.1 to the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on February 5, 2020 (File No. 001-38037)).</u></a>
3.9	<a href="#"><u>Amended and Restated Bylaws of the Company dated June 4, 2021 (incorporated herein by reference to Exhibit 3.1 to the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on June 7, 2021 (File No. 001-38037)).</u></a>
3.10	<a href="#"><u>Certificate of Amendment to the Amended and Restated Certificate of Incorporation, as amended, of the Company (incorporated herein by reference to Exhibit 3.1 to the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on December 22, 2022 (File No. 001-38037)).</u></a>
4.1	<a href="#"><u>Form of Warrant to Purchase Common Stock (incorporated herein by reference to Exhibit 4.1 to the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on July 14, 2017 (File No. 001-38037)).</u></a>

- 4.2 [Form of Indenture \(incorporated herein by reference to Exhibit 4.2 to the Registration Statement on Form S-3 as filed by the Registrant with the Securities and Exchange Commission on December 18, 2018 \(File No. 333-228882\)\).](#)
- 4.3 [Form of Common Stock Purchase Warrant \(incorporated herein by reference to Exhibit 10.1 of the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on May 1, 2019 \(File No. 001-38037\)\).](#)
- 4.4 [Form of Series A Common Stock Purchase Warrant \(incorporated herein by reference to Exhibit 10.2 of the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on May 1, 2019 \(File No. 001-38037\)\).](#)
- 4.5 [Form of Representative's Warrant Agreement \(incorporated herein by reference to Exhibit 4.1 of the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on July 31, 2019 \(File No. 001-38037\)\).](#)
- 4.6 [Form of 9% Secured Note \(incorporated herein by reference to Exhibit 4.1 of the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on February 6, 2020 \(File No. 001-38037\)\).](#)
- 4.7 [Form of Representative's Warrant \(incorporated herein by reference to Exhibit 4.14 to the Registration Statement on Form S-1/A filed by the Registrant with the Securities and Exchange Commission on May 5, 2020 \(File No. 333-237682\)\).](#)
- 4.8 [Form of Pre-Funded Warrant \(incorporated herein by reference to Exhibit 4.15 to the Registration Statement on Form S-1/A filed by the Registrant with the Securities and Exchange Commission on May 5, 2020 \(File No. 333-237682\)\).](#)
- 4.9\* [Description of Securities](#)
- 4.10 [Debenture, dated February 7, 2023, in the principal amount of \\$1,100,000 \(incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on February 7, 2023 \(File No. 001-38087\)\).](#)
- 4.11 [Warrant, dated February 7, 2023 \(incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on February 7, 2023 \(File No. 001-38087\)\).](#)
- 10.1# [Form of the Company Incentive Stock Option Agreement \(incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on November 1, 2016 \(File No. 000-22563\)\).](#)
- 10.2# [Form of the Company Nonqualified Stock Option Agreement \(incorporated herein by reference to Exhibit 10.2 to the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on November 1, 2016 \(File No. 000-22563\)\).](#)
- 10.3# [Form of Director Indemnification Agreement \(incorporated herein by reference to Exhibit 10.1 to the Registration Statement on Form S-1 as filed by the Registrant with the Securities and Exchange Commission on February 6, 2017 \(File No. 333-215922\)\).](#)
- 10.4# [SG Blocks, Inc. Stock Incentive Plan \(incorporated herein by reference to Exhibit 10.10 to the Registration Statement on Form S-1 as filed by the Registrant with the Securities and Exchange Commission on February 6, 2017 \(File No. 333-215922\)\).](#)
- 10.5# [Executive Employment Agreement, effective as of January 1, 2017, between Paul M. Galvin and the Company \(incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on March 14, 2017 \(File No. 000-22563\)\).](#)

- 10.16# [Amendment No. 1 to the SG Blocks, Inc. Stock Incentive Plan \(incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on June 5, 2018 \(File No. 001-38037\)\).](#)
- 10.17# [Form of SG Blocks, Inc. Restricted Share Unit Agreement \(Non-Employee Directors\) \(incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on July 30, 2018 \(File No. 001-38037\)\).](#)
- 10.18# [Form of Restricted Share Unit Agreement \(incorporated herein by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q as filed by the Registrant with the Securities and Exchange Commission on August 14, 2019 \(File No. 001-38037\)\).](#)
- 10.19# [Form of Restricted Share Unit Agreement \(Special Bonus\) \(incorporated herein by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q as filed by the Registrant with the Securities and Exchange Commission on August 14, 2019 \(File No. 001-38037\)\).](#)
- 10.20 [Exclusive License Agreement, entered into as of October 3, 2019 by and between the Company and CPF MF 2019-1 LLC \(incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on October 9, 2019 \(File No. 001-38037\)\).](#)
- 10.21 [Loan Agreement and Promissory Note, dated effective October 3, 2019, between the Company, as lender, and CPF GP 2019-1 LLC, as borrower \(incorporated herein by reference to Exhibit 10.2 to the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on October 9, 2019 \(File No. 001-38037\)\).](#)
- 10.22 [Right of First Refusal Agreement, entered into as of October 9, 2019 by and between the Company and CMC Development LLC \(incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on October 15, 2019 \(File No. 001-38037\)\).](#)
- 10.23 [Amendment to Loan Agreement and Promissory Note between the Company and CPF GP 2019-LLC \(incorporated herein by reference to Exhibit 10.2 to the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on October 15, 2019 \(File No. 001-38037\)\).](#)
- 10.24 [Second Amendment to Loan Agreement and Promissory Note dated November 7, 2019 between CPF GP 2019-1 LLC and Safe & Green \(incorporated herein by reference to Exhibit 10.1 of the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on November 13, 2019 \(File No. 001-38037\)\).](#)
- 10.25 [Amendment No. 1 to Exclusive License Agreement, entered into as of October 3, 2019 by and between the Company and CPF MF 2019-1 LLC \(incorporated herein by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q as filed by the Registrant with the Securities and Exchange Commission on November 14, 2019 \(File No. 001-38037\)\).](#)
- 10.26 [Waiver of Warrant \(incorporated herein by reference to Exhibit 10.1 of the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on December 13, 2019 \(File No. 001-38037\)\).](#)
- 10.27 [Promissory Note, dated January 21, 2020, issued by CPF GP 2019-1 LLC to the Company \(incorporated herein by reference to Exhibit 10.1 of the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on January 23, 2020 \(File No. 001-38037\)\).](#)

- 10.28 [Promissory Note, dated January 21, 2020, issued by CPF GP 2019 -1 LLC to Paul Galvin \(incorporated herein by reference to Exhibit 10.2 of the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on January 23, 2020 \(File No. 001-38037\)\)](#)
- 10.29 [Security Agreement, by and among CPF GP 2019-1 LLC, the Company and Paul Galvin, dated January 21, 2020 \(incorporated herein by reference to Exhibit 10.3 of the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on January 23, 2020 \(File No. 001-38037\)\)](#)
- 10.30 [Form of Securities Purchase Agreement \(incorporated herein by reference to Exhibit 10.1 of the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on February 6, 2020 \(File No. 001-38037\)\)](#)
- 10.31 [Form of Pledge Agreement \(incorporated herein by reference to Exhibit 10.2 of the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on February 6, 2020 \(File No. 001-38037\)\)](#)
- 10.32 [Distributorship Agreement between Osang Healthcare Co., Ltd. and the Company, effective as of April 28, 2020 \(incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on May 5, 2020 \(File No. 001-38037\)\)](#)
- 10.33 [Amendment to Distributorship Agreement between Osang Healthcare Co., Ltd. and the Company, dated April 30, 2020 \(incorporated herein by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on May 5, 2020 \(File No. 001-38037\)\)](#)
- 10.34 [Agreement between Osang Group Co. Ltd. and the Company, dated May 1, 2020 \(incorporated herein by reference to Exhibit 10.3 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on May 5, 2020 \(File No. 001-38037\)\)](#)
- 10.35# [Amendment No. 2 to the SG Blocks, Inc. Stock Incentive Plan \(incorporated by reference to Appendix A to the Definitive Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on June 25, 2020 \(File No. 001-38037\)\)](#)
- 10.36# [Asset Purchase Agreement by and between SG Echo, LLC and Echo DCL, LLC, dated September 17, 2020 \(incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on September 22, 2020 \(File No. 001-38037\)\)](#)
- 10.37 [Unimproved Property Contract, dated February 25, 2021, by and between the Company and Northport Harbor LLC \(incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on May 11, 2021 \(File No. 001-38037\)\)](#)
- 10.38 [Settlement and Mutual Release Agreement, dated June 15, 2021, by and among CPF GP 2019-1 LLC, Capital Plus Financial, LLC and the Company \(incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on June 21, 2021 \(File No. 001-38037\)\)](#)
- 10.39 [Termination of Exclusive License Agreement, effective June 15, 2021 \(incorporated herein by reference to Exhibit 10.2 to the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on June 21, 2021 \(File No. 001-38037\)\)](#)
- 10.40 [Assignment of Limited Rights Under Membership Interest Redemption Agreement, dated June 15, 2021, by and among Capital Plus Financial, LLC, the Company and CPF GP 2019-1 LLC \(incorporated herein by reference to Exhibit 10.3 to the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on June 21, 2021 \(File No. 001-38037\)\)](#)
- 10.41 [Operating Agreement by and between SGB Development Corp., Jacoby Development, Inc. and JDI-Cumberland Inlet, LLC, dated June 24, 2021 \(incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on June 28, 2021 \(File No. 001-38037\)\)](#)
- 10.42 [Fabrication and Building Services Agreement by and between JDI-Cumberland Inlet, LLC and SG Echo, LLC, dated June 24, 2021 \(incorporated herein by reference to Exhibit 10.2 to the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on June 28, 2021 \(File No. 001-38037\)\)](#)
- 10.43 [Real Estate Lien Note, dated July 14, 2021, in the principal amount of \\$2,000,000 \(incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on July 19, 2021 \(File No. 001-38037\)\)](#)
- 10.44 [Deed of Trust, dated July 14, 2021 \(incorporated herein by reference to Exhibit 10.2 to the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on July 19, 2021 \(File No. 001-38037\)\)](#)
- 10.45 [Assignment of Leases and Rents, dated July 8, 2021 \(incorporated herein by reference to Exhibit 10.3 to the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on July 19, 2021 \(File No. 001-38037\)\)](#)
- 10.46# [Amendment No. 3 to the SG Blocks, Inc. Stock Incentive Plan \(incorporated by reference to Appendix A to the Definitive Proxy Statement on Schedule 14A filed by the Registrant with the Securities and Exchange Commission on July 14, 2021 \(File No. 001-38087\)\)](#)
- 10.47# [Employment Agreement, dated September 27, 2021, between the Company and William Rogers \(incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on October 1, 2021 \(File No. 001-38037\)\)](#)
- 10.48# [Employment Agreement, dated September 30, 2021, between the Company and Gerald Sheeran \(incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on October 1, 2021 \(File No. 001-38037\)\)](#)

- 10.49 [Placement Agency Agreement, dated as of October 25, 2021, by and between the Company and the Placement Agent \(incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on October 26, 2021 \(File No. 001-38037\)\).](#)
- 10.50 [Form of Securities Purchase Agreement, dated as of October 25, 2021 by and between the Company and the Purchaser named therein \(incorporated herein by reference to Exhibit 10.2 to the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on October 26, 2021 \(File No. 001-38037\)\).](#)
- 10.51 [Lease Agreement by and between SG Echo LLC and May Properties, LLC, dated October 28, 2021 \(incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on November 2, 2021 \(File No. 001-38037\)\).](#)
- 10.52 [Guaranty by the Company dated October 28, 2021 \(incorporated herein by reference to Exhibit 10.2 to the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on November 2, 2021 \(File No. 001-38037\)\).](#)
- 10.53 [Loan Agreement by and among SG Echo LLC, The Durant Industrial Authority and the Company, as guarantor, dated October 29, 2021 \(incorporated herein by reference to Exhibit 10.3 to the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on November 2, 2021 \(File No. 001-38037\)\).](#)
- 10.54 [Forgivable Promissory Note, dated October 29, 2021, issued by SG Echo LLC \(incorporated herein by reference to Exhibit 10.4 to the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on November 2, 2021 \(File No. 001-38037\)\).](#)
- 10.55# [Amendment to Employment Agreement, dated July 5, 2022, between the Company and \(incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on February 6, 2023 \(File No. 001-38037\)\).](#)
- 10.56# [Employment Agreement between SG Blocks, Inc. and Marc Brune, dated September 1, 2022, between SG Blocks, Inc. and \(incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on September 1, 2022 \(File No. 001-38037\)\).](#)
- 10.57 [Fabrication Agreement between SGB Development Corp. and SG Echo, LLC, dated December 2, 2022, \(incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on December 6, 2022 \(File No. 001-38037\)\).](#)
- 10.58# [Employment Agreement, dated February 3, 2023, between Safe and Green Development Corporation and David Villarreal \(incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on February 6, 2023 \(File No. 001-38037\)\).](#)
- 10.59 [Securities Purchase Agreement, dated February 7, 2023, by and between the Company and Peak One Opportunity Fund, L.P. \(incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on February 7, 2023 \(File No. 001-38087\)\).](#)
- 10.60 [Registration Rights Agreement, dated February 7, 2023, by and between the Company and Peak One Opportunity Fund, L.P. \(incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on February 7, 2023 \(File No. 001-38087\)\).](#)
- 10.61 [Equity Purchase Agreement, dated February 7, 2023, by and between the Company and Peak One Opportunity Fund, L.P. \(incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on February 7, 2023 \(File No. 001-38087\)\).](#)
- 10.62 [Registration Rights Agreement, dated February 7, 2023, by and between the Company and Peak One Opportunity Fund, L.P. \(incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K as filed by the Registrant with the Securities and Exchange Commission on February 7, 2023 \(File No. 001-38087\)\).](#)
- 21.1\* [List of Subsidiaries\\*](#)
- 23.1\* [Consent of Whitley Penn LLP, Independent Registered Public Accounting Firm](#)
- 24.1\* [Power of Attorney \(included on signature page\).](#)
- 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.](#)
- 32.1\* [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 - the instance document does not appear in the Interactive Data File as the XBRL tags are embedded within the Inline XBRL 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.

\* Filed herewith.

# Management contract or compensatory plan or arrangement required to be identified pursuant to Item 15(a)(3) of this report.

## 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.

SAFE & GREEN HOLDINGS CORP.

By: /s/ Paul M. Galvin  
Paul M. Galvin  
Chief Executive Officer and Chairman of the Board (Principal Executive Officer)

Date: March 30, 2023

## POWER OF ATTORNEY

Each person whose signature appears below hereby constitutes and appoints Paul M. Galvin, as his or her attorney-in-fact, each with the power of substitution, for him and in his name, place and stead, in any and all capacities, to sign this Annual Report on Form 10-K and any and all amendments to this report on Form 10-K, and to file the same, with all exhibits thereto and all documents in connection therewith, 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 all intents and purposes as he might or could do in person, hereby ratifying and confirming all that such attorneys-in-fact and agents or any of them or his or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

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

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Paul M. Galvin</u> Paul M. Galvin	Chairman of the Board, Chief Executive Officer (Principal Executive Officer) and Interim Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 30, 2023
<u>/s/ David Villarreal</u> David Villarreal	Director	March 30, 2023
<u>/s/ Yaniv Blumenfeld</u> Yaniv Blumenfeld	Director	March 30, 2023
<u>/s/ Christopher Melton</u> Christopher Melton	Director	March 30, 2023
<u>/s/ Shafron E. Hawkins</u> Shafron E. Hawkins	Director	March 30, 2023
<u>/s/ Elizabeth Cormier-May</u> Elizabeth Cormier-May	Director	March 30, 2023



**SAFE & GREEN HOLDINGS CORP.  
AND SUBSIDIARIES**

**Consolidated Financial Statements**

**December 31, 2022 and 2021**

---

	<u>Page</u>
<b>Consolidated Financial Statements</b>	
<a href="#">Report of Independent Registered Public Accounting Firm (PCAOB ID:726)</a>	F-2
<a href="#">Consolidated Balance Sheets</a>	F-5
<a href="#">Consolidated Statements of Operations</a>	F-6
<a href="#">Consolidated Statements of Changes in Stockholders' Equity</a>	F-7
<a href="#">Consolidated Statements of Cash Flows</a>	F-8
<a href="#">Notes to Consolidated Financial Statements</a>	F-9

---

## Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders  
Safe & Green Holdings Corp. and Subsidiaries

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Safe & Green Holdings Corp. and subsidiaries (the “Company”), as of December 31, 2022 and 2021, and the related consolidated statements of operations, changes in stockholders’ equity, and cash flows for the years then ended and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company, as of December 31, 2022 and 2021, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### Going Concern

The accompanying financial statements have been prepared assuming that the entity will continue as a going concern. As discussed in Note 2 to the financial statements, the entity has suffered recurring losses from operations and negative cash flow from operations, and has a net working capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, 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.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved especially challenging, subjective, or complex judgments. The communication of the critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing a separate opinion on the critical audit matters or on the accounts or disclosures to which they relate.

#### *Revenue Recognition – Determination of Estimated Costs to Complete for Contracts Recognized Over Time*

##### *Description of the Matter*

The Company’s construction and engineering contracts generally recognize revenue over time as there is a continuous transfer of control to the customer. Approximately 52% of the Company’s revenue during the year ended December 31, 2022 was for construction and engineering contracts whereby revenue was recorded over time.

The Company uses the amount of cost incurred under the contract as a measure of progress towards completion, and revenue recognized is measured principally by the costs incurred and accrued to date for each contract as a percentage of the estimated total cost for each contract at completion. Contract costs include all direct material, labor, and indirect costs related to contract performance. Changes in job performance, job conditions, estimated contract costs and profitability and final contract settlements may result in revisions to costs and income, and the effects of these revisions are recognized prospectively in the period in which the revisions are determined. This measurement and comparison process requires updates to the estimate of total costs to complete the contract, and these updates include subjective assessments and judgments.

We identified the Company's estimation of the costs to complete each contract as a critical audit matter due to the high degree of auditor judgment and the increased extent of effort that was required when performing audit procedures to evaluate the reasonableness of management's estimates and assumptions related to the estimate of costs to complete contracts recognized over time.

#### *How We Addressed the Matter in Our Audit*

Our audit procedures related to forecasts of estimated costs to complete contracts recognized over time included the following, among others:

- We selected a sample of contracts and obtained and inspected the executed contract and change orders to validate existence and understand the scope of each contract.
- We performed a site visit near the end of the reporting period. We observed and inspected the projects in process and inquired of project managers to gain an understanding of the progress on significant projects in process.
- We selected a sample of project costs incurred to ensure accuracy of costs incurred during the year. We also verified that project costs, both direct and indirect, were applied to the correct project.
- We evaluated and tested management's process to estimate future costs to complete contracts recognized over time. This evaluation included ensuring the consistency of management's process and policies regarding change orders and timely costs revisions; performing a retrospective review of prior estimates to actual results; and analyzing actual costs incurred subsequent to December 31, 2022 as compared to the estimated future costs to complete as of December 31, 2022.

#### ***Goodwill Impairment Analysis***

##### *Description of the Matter*

The Company's evaluation of goodwill for impairment involves the comparison of the estimated fair value of each reporting unit to its carrying value. The annual impairment test of goodwill at a reporting unit level is performed annually during the fourth quarter, or more frequently if events or circumstances indicate the fair value of a reporting unit may be below its respective carrying value. The Company uses a discounted cash flow model (income approach) and several market approaches to estimate the fair value of the reporting unit. The discounted cash flow model requires management to make significant estimates and assumptions related to discount rates and forecasts of future revenues and reporting unit profit margins. The market approach requires management to make significant estimates and assumptions related to identifying comparable public companies and determining an appropriate revenue multiple to calculate fair value. Changes in these assumptions could have a significant impact on the fair value and the amount of any goodwill impairment charge.

The Company performed its annual impairment test of goodwill during the fourth quarter. No impairment was recorded, because the estimated fair values of each of the Company's reporting units exceeded their carrying values. Given that forecasted revenues and reporting unit profit margins are sensitive to changes in demand and efficiency of operations, auditing management's assumptions involved subjective judgment. As a result, we identified the Company's evaluations of goodwill impairment as a critical audit matter due to the high degree of auditor judgment and the increased extent of effort that was required when performing audit procedures to evaluate the reasonableness of management's estimates and assumptions related to the forecasts of revenue and profit margins, the selection of discount rates, and the selection of appropriate revenue multiples, including the need to involve our fair value specialists.

*How We Addressed the Matter in Our Audit*

Our audit procedures related to forecasts of future revenues and operating unit profit margins (“forecasts”), the selection of discount rates, and the determination of appropriate revenue multiples included the following, among others:

- We evaluated the reasonableness of management’s forecasts by evaluating the reasonableness of management’s future operating plans, which include expanding production capacity and gaining operating efficiencies.
- We evaluated the reasonableness of management’s forecasts by performing a sensitivity analysis on the forecasts used in the discounted cash flow model to determine the impact to fair value as various assumptions are changed.
- We evaluated the reasonableness of the revenue multiples used in the market approach to determine the impact to fair value as various assumptions are changed.
- With the assistance of our fair value specialists, we evaluated the reasonableness of management’s fair value estimate by:
- Testing the Company’s process to develop the estimates, which included evaluating the methods, data, and significant assumptions used in developing the estimate.
- Testing the source information underlying the determination of the discount rate and the mathematical accuracy of the calculation.

/s/ Whitley Penn LLP

We have served as the Company’s auditor since 2016.

Dallas, Texas  
March 30, 2023

## SAFE &amp; GREEN HOLDINGS CORP. AND SUBSIDIARIES

## Consolidated Balance Sheets

<i>December 31,</i>	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 582,776	\$ 13,024,381
Accounts receivable, net	1,280,456	2,917,646
Contract assets	36,384	41,916
Held for sale assets	4,396,826	—
Inventories	465,560	1,273,825
Prepaid expenses and other current assets	744,211	656,279
Total current assets	<u>7,506,213</u>	<u>17,914,047</u>
Property, plant and equipment, net	5,608,903	6,839,943
Project development costs and other non-current assets	483,546	923,172
Goodwill	1,309,330	1,309,330
Right-of-use asset, net	4,421,002	1,210,053
Long-term notes receivable	857,534	720,137
Intangible assets, net	1,997,833	2,095,232
Deferred contract costs, net	71,374	112,159
Investment in non-marketable securities	700,000	200,000
Investment in and advances to equity affiliates	3,599,945	3,599,945
<b>Total Assets</b>	<u>\$ 26,555,680</u>	<u>\$ 34,924,018</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 4,009,522	\$ 7,568,851
Contract liabilities	437,271	1,437,579
Lease liability, current maturities	1,225,394	337,469
Due to affiliates	—	264,451
Assumed liability	5,795	5,795
Short term note payable, net	2,648,300	1,971,960
Total current liabilities	<u>8,326,282</u>	<u>11,586,105</u>
Long-term note payable	750,000	750,000
Lease liability, net of current maturities	3,039,836	872,124
Total liabilities	<u>12,116,118</u>	<u>13,208,229</u>
Stockholders' equity:		
Preferred stock, \$0.00 par value, 5,405,010 shares authorized; none issued or outstanding.	—	—
Common stock, \$0.01 par value, 25,000,000 shares authorized; 12,613,978 issued and 12,590,863 outstanding as of December 31, 2022 and 11,986,873 issued and outstanding as of December 31, 2021.	126,140	119,869
Additional paid-in capital	56,173,977	53,341,405
Treasury stock, at cost – 23,115 shares	(49,680)	—
Accumulated deficit	(41,428,268)	(33,109,220)
Total Safe & Green Holdings Corp. stockholders' equity	<u>14,822,169</u>	<u>20,352,054</u>
Non-controlling interests	(382,607)	1,363,735
Total Stockholders' equity	<u>14,439,562</u>	<u>21,715,789</u>
<b>Total Liabilities and Stockholders' Equity</b>	<u>\$ 26,555,680</u>	<u>\$ 34,924,018</u>

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

## SAFE &amp; GREEN HOLDINGS CORP. AND SUBSIDIARIES

## Consolidated Statements of Operations

	For the Years Ended December 31,	
	<u>2022</u>	<u>2021</u>
<b>Revenue:</b>		
Construction services	\$ 12,663,896	\$ 6,537,941
Engineering services	88,323	255,749
Medical revenue	11,641,727	31,548,012
Total	<u>24,393,946</u>	<u>38,341,702</u>
<b>Cost of revenue:</b>		
Construction services	12,729,895	13,251,470
Engineering services	58,894	154,126
Medical revenue	8,351,005	22,607,058
Total	<u>21,139,794</u>	<u>36,012,654</u>
<b>Gross profit</b>	3,254,152	2,329,048
<b>Operating expenses:</b>		
Payroll and related expenses	5,538,352	4,186,642
General and administrative expenses	4,464,836	3,788,024
Marketing and business development expense	480,934	288,438
Pre-project expenses	—	48,794
Total	<u>10,484,122</u>	<u>8,311,898</u>
<b>Operating loss</b>	(7,229,970)	(5,982,850)
<b>Other income (expense):</b>		
Interest expense	(336,239)	(1,254)
Interest income	73,821	57,266
Other income (expense)	428,411	62,602
Loss on asset disposal	(25,265)	(44,081)
Loss from equity affiliates	—	(55)
Total	<u>140,728</u>	<u>74,478</u>
<b>Loss before income taxes</b>	(7,089,242)	(5,908,372)
<b>Income tax expense</b>	—	—
<b>Net loss</b>	<u>(7,089,242)</u>	<u>(5,908,372)</u>
Add: net profit attributable to noncontrolling interests	1,229,806	4,924,302
<b>Net loss attributable to common stockholders of Safe &amp; Green Holdings Corp.</b>	<u>\$ (8,319,048)</u>	<u>\$ (10,832,674)</u>
Net loss per share attributable to Safe & Green Holdings Corp. - basic and diluted:		
Basic and diluted	<u>\$ (0.62)</u>	<u>\$ (1.16)</u>
Weighted average shares outstanding:		
Basic and diluted	<u>13,332,106</u>	<u>9,339,199</u>

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

## SAFE &amp; GREEN HOLDINGS CORP. AND SUBSIDIARIES

## Consolidated Statements of Changes in Stockholders' Equity

	<i>\$0.01 Par Value Common Stock</i>		<i>Preferred Stock</i>	<i>Additional Paid-in Capital</i>	<i>Treasury Stock</i>	<i>Accumulated Deficit</i>	<i>Safe &amp; Green Stockholders' Equity</i>	<i>Noncontrolling Interests</i>	<i>Total Stockholders' Equity</i>
	<i>Shares</i>	<i>Amount</i>							
<b>Balance at January 1, 2021</b>	8,596,189	\$ 85,962	\$ —	\$ 40,443,840	\$ —	\$ (22,276,546)	\$ 18,253,256	\$ 184,567	\$ 18,437,823
Stock-based compensation	—	—	—	1,736,531	—	—	1,736,531	—	1,736,531
Conversion of warrants to common stock	226,300	2,263	—	704,925	—	—	707,188	—	707,188
Issuance of common stock, net of issuance costs	3,164,384	31,644	—	10,456,109	—	—	10,487,753	—	10,487,753
Noncontrolling interest distribution	—	—	—	—	—	—	—	(3,745,134)	(3,745,134)
Net income (loss)	—	—	—	—	—	(10,832,674)	(10,832,674)	4,924,302	(5,908,372)
<b>Balance at December 31, 2021</b>	<u>11,986,873</u>	<u>\$ 119,869</u>	<u>\$ —</u>	<u>\$ 53,341,405</u>	<u>\$ —</u>	<u>\$ (33,109,220)</u>	<u>\$ 20,352,054</u>	<u>\$ 1,363,735</u>	<u>\$ 21,715,789</u>
<b>Balance at January 1, 2022</b>	11,986,873	119,869	—	53,341,405	—	(33,109,220)	20,352,054	1,363,735	21,715,789
Stock-based compensation	20,000	200	—	2,838,643	—	—	2,838,843	—	2,838,843
Issuance of restricted stock units	607,105	6,071	—	(6,071)	—	—	—	—	—
Repurchase of common stock	—	—	—	—	(49,680)	—	(49,680)	—	(49,680)
Noncontrolling interest distribution	—	—	—	—	—	—	—	(2,976,148)	(2,976,148)
Net income (loss)	—	—	—	—	—	(8,319,048)	(8,319,048)	1,229,806	(7,089,242)
<b>Balance at December 31, 2022</b>	<u>12,613,978</u>	<u>\$ 126,140</u>	<u>\$ —</u>	<u>\$ 56,173,977</u>	<u>\$ (49,680)</u>	<u>\$ (41,428,268)</u>	<u>\$ 14,822,169</u>	<u>\$ (382,607)</u>	<u>\$ 14,439,562</u>

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

**SAFE & GREEN HOLDINGS CORP. AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows**

	<i>For the Year Ended December 31, 2022</i>	<i>For the Year Ended December 31, 2021</i>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (7,089,242)	\$ (5,908,372)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	410,314	398,744
Amortization of intangible assets	164,092	165,877
Amortization of deferred license costs	40,785	40,785
Amortization of debt issuance costs	23,726	—
Direct write-off of accounts receivable	1,073,531	—
Bad debt expense and recoveries	10,526	167,202
Interest income on notes receivable	(37,397)	(37,500)
Stock-based compensation	2,798,844	1,647,391
Loss on asset disposal	25,265	44,081
Loss on equity affiliates	—	55
Changes in operating assets and liabilities:		
Accounts receivable	553,132	(449,240)
Contract assets	5,532	1,261,220
Inventories	808,265	(495,681)
Prepaid expenses and other current assets	(87,932)	(61,778)
Right of use asset	691,227	473,331
Intangible asset	1,139	—
Accounts payable and accrued expenses	(3,519,329)	3,606,889
Contract liabilities	(1,000,308)	(337,161)
Due to affiliates	(264,450)	(701,110)
Other current liability	176,340	(5,000)
Lease liability	(414,674)	(472,492)
Net cash used in operating activities	<u>(5,630,614)</u>	<u>(662,759)</u>
<b>Cash flows used in investing activities:</b>		
Purchase of property, plant and equipment	(2,760,032)	(4,824,756)
Purchase of intangible asset	(67,832)	(42,500)
Proceeds from sale of equipment	760	225,000
Payment for Promissory Note	(100,000)	—
Payment on assumed liability of acquired assets	—	(194,969)
Project development costs	(426,194)	(630,470)
Payment on security deposit	—	(203,562)
Investment in non-marketable securities	(500,000)	(200,000)
Investment in and advances to equity affiliates	—	(3,600,000)
Net cash used in investing activities	<u>(3,853,298)</u>	<u>(9,471,257)</u>
<b>Cash flows provided by financing activities:</b>		
Proceeds from public stock offering and other private placements, net of issuance costs	—	10,487,753
Proceeds from conversion of warrants to common stock	—	707,188
Proceeds from short-term note payable	500,000	2,000,000
Payment of note issuance costs	—	(51,766)
Proceeds from long-term note payable	—	750,000
Payments on financing lease	(431,865)	—
Distribution paid to noncontrolling interest	(2,976,148)	(3,745,134)
Repurchase of common stock	(49,680)	—
Net cash (used in) provided by financing activities	<u>(2,957,693)</u>	<u>10,148,041</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(12,441,605)</b>	<b>14,025</b>
<b>Cash and cash equivalents - beginning of year</b>	<b><u>13,024,381</u></b>	<b><u>13,010,356</u></b>
<b>Cash and cash equivalents - end of year</b>	<b><u>\$ 582,776</u></b>	<b><u>\$ 13,024,381</u></b>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid during the year for interest	<u>\$ 271,744</u>	<u>\$ 562</u>
<b>Supplemental disclosure of non-cash operating activities:</b>		
Initial value of lease liability	<u>\$ 3,902,175</u>	<u>\$ —</u>

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



**1. Description of Business**

Safe & Green Holdings Corp. (collectively with its subsidiaries, the “Company,” “we,” “us” or “our”) was previously known as SG Blocks, Inc. as well as CDSI Holdings, Inc., a Delaware corporation incorporated on December 29, 1993. On November 4, 2011, CDSI Merger Sub, Inc., 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.

The Company operates in the following four segments: (i) construction; (ii) medical; (ii) real estate development; and (iv) environmental. The manufacturing segment designs and constructs modular structures built in the Company’s factories. In the medical segment the Company uses its modular technology to provide turnkey solutions to medical testing and treatment and generates revenue from the medical testing. The Company’s real estate development segment builds innovative and green single or multifamily projects in underserved regions nationally using modules built in one of the Company’s vertically integrated factories. The environmental segment, the newest segment, is a sustainable medical and waste management solution that collects waste and treats waste for safe disposal.

The building products developed with the Company’s proprietary technology and design and engineering expertise are generally stronger, more durable, environmentally sensitive, and erected in less time than traditional construction methods. The use of the SGBlocks building structure typically provides between four to six points towards the Leadership in Energy and Environmental Design (“LEED”) certification levels, including reduced site disturbance, resource reuse, recycled content, innovation in design and use of local and regional materials. Due to the ability of SGBlocks to satisfy such requirements, the Company believes the products produced utilizing its technology and expertise is a leader in environmentally sustainable construction.

There are three core product offerings that utilize the Company’s technology and engineering expertise. The first product offering involves GreenSteel™ modules, which are the structural core and shell of an SGBlocks building. The Company procures the containers, engineer required openings with structural steel enforcements, paint the SGBlocks and then deliver them on-site, where the customer or a customer’s general contractor will complete the entire finish out and installation. The second product offering involves replicating the process to create the GreenSteel product and, in addition, installing selected materials, finishes and systems (including, but not limited to floors, windows, doors, interior painting, electrical wiring and fixtures, plumbing outlets and bathrooms, roofing system) and delivering SGBlocks pre-fabricated containers to the site for a third party licensed general contractor to complete the final finish out and installation. Finally, the third product offering is the completely fabricated and finished SGBlocks building (including but not limited to floors, windows, doors, interior painting, electrical wiring and fixtures, plumbing outlets and bathrooms, roofing systems), including erecting the final unit on site and completing any other final steps. The building is ready for occupancy and/or use as soon as installation is completed. Construction administration and/or project management services are typically included in the Company’s product offerings.

The Company also provides engineering and project management services related to the use and modification of Modules in construction.

**Construction**

During 2020, the Company formed, SG Echo, LLC, a wholly owned subsidiary of the Company. The Company acquired substantially all the assets of Echo DCL, a Texas limited liability company, except for Echo’s real estate holdings for which the Company obtained a right of first refusal. Echo is a container/modular manufacturer based in Durant, Oklahoma specializing in the design and construction of permanent modular and temporary modular buildings and was one of the Company’s key supply chain partners. Echo caters to the military, education, administration facilities, healthcare, government, commercial and residential customers. This acquisition has allowed the Company to expand its reach for the Modules and offer an opportunity to vertically integrate a large portion of the Company’s cost of goods sold, as well as increase margins, productivity and efficiency in the areas of design, estimating, manufacturing and delivery and to become the manufacturer of the Company’s core container and modular product offerings. The Company also entered into a joint venture with Clarity Lab Solutions LLC., to provide clinical lab testing related to COVID-19.

**1. Description of Business (continued)**

## Medical

As of January 2021 and through the fourth quarter of 2021, the Company's consolidated financial statements include the accounts of Chicago Airport Testing LLC ("CAT"). The Company had a variable interest in CAT as described further below. CAT is in the business of marketing, selling, distributing, leasing and otherwise commercially exploiting certain products and services in the COVID-19 testing and other medical industry.

**Real Estate Development**

In addition, during 2021, the Company formed Safe and Green Development Corporation, formerly, SGB Development Corp. ("SG DevCorp"), which is wholly-owned by the Company. SG DevCorp was formed with the purpose of real property development utilizing the Company's technologies. SG DevCorp has a minority interest in Norman Berry II Owners LLC and JDI-Cumberland Inlet LLC as described further below.

## Environmental

During 2022, SG Environmental Solutions Corp. ("SG Environmental") was formed and is focused on biomedical waste removal and will utilize a patented technology that it licenses to shred and disinfect biomedical waste, rendering the waste disinfected, unrecognizable, and of no greater risk to the public health than residential household waste.

**2. Liquidity**

As of December 31, 2022, the Company had cash and cash equivalents of \$82,776 and a backlog of \$6,810,672. See Note 13 for a discussion of construction backlog. Based on the Company's conversations with key customers, the Company anticipates its backlog to convert to revenue over the following period:

	<b>2022</b>
Within 1 year	\$ 6,810,762
Total Backlog	<u>\$ 6,810,762</u>

The Company has incurred losses since its inception, has negative working capital of approximately \$20,000 and has negative operating cash flows, which has raised substantial doubt about its ability to continue as a going concern. The accompanying financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result from the outcome of the uncertainty concerning the Company's ability to continue as a going concern.

The Company intends to meet its capital needs from revenue generated from operations and by containing costs, entering into strategic alliances, as well as exploring other options, including the possibility of raising additional debt or equity capital as necessary. There is, however, no assurance the Company will be successful in meeting its capital requirements prior to becoming cash flow positive. The Company does not have any additional sources secured for future funding, and if it is unable to raise the necessary capital at the times it requires such funding, it may need to materially change its business plan, including delaying implementation of aspects of such business plan or curtailing or abandoning such business plan altogether.

**2. Liquidity (continued)**

With the global spread of the ongoing novel coronavirus ("COVID-19") pandemic during 2020, the Company implemented business continuity plans designed to address and mitigate the impact of the COVID-19 pandemic on its employees and business. Any quarantines, the timing and length of containment and eradication solutions, travel restrictions, absenteeism by infected workers, labor shortages or other disruptions to the Company's suppliers and contract manufacturers or customers would likely adversely impact the Company's sales and operating results and result in further project delays. In addition, the pandemic has negatively affected the economy and has affected the demand for the Company's products. During COVID-19, order lead times were extended and delayed and pricing has increased. Some products or services may become unavailable if the regional or global spread were significant enough to prevent alternative sourcing. Accordingly, the Company is considering alternative product sourcing in the event that product supply becomes problematic. To the extent the ongoing COVID-19 pandemic adversely affects the Company's business and results of operations, it may also have the effect of heightening many of the other risks and uncertainties which the Company faces. The Company has been impacted by COVID-19 with supply chain distributions, absenteeism by infected workers and skilled labor shortages which has caused delays in projects and the Company could be further impacted if the COVID-19 pandemic continues.

**3. Summary of Significant Accounting Policies**

**Basis of presentation and principals of consolidation**— The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") and the applicable rules and regulations of the United States Securities and Exchange Commission ("SEC") and include the accounts of the Company and its wholly owned subsidiaries, SG Building Blocks, Inc., SG Residential, Inc., SG DevCorp, SG Environmental and SG Echo, LLC. All intercompany balances and transactions are eliminated. Investments in 50% or less owned partnerships and affiliates are accounted for using the equity method unless it is determined that we have effective control of the entity, in which case we would consolidate the entity. Certain prior period amounts have been reclassified to conform to the current period's presentation.

**Recently adopted accounting pronouncements** - New accounting pronouncements implemented by the Company are discussed below or in the related notes, where appropriate.

**Accounting estimates** – The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates, judgements 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, together with amounts disclosed in the related notes to the financial statements. The Company's estimates used in these financial statements include, but are not limited to, revenue recognition, stock-based compensation, accounts receivable reserves, inventory valuations, goodwill, the valuation allowance related to the Company's deferred tax assets, the carrying amount of intangible assets, right of use assets and the recoverability and useful lives of long-lived assets. Certain of the Company's estimates could be affected by external conditions, including those unique to the Company and general economic conditions. It is reasonably possible that these external factors could have an effect on the Company's estimates and could cause actual results to differ from those estimates.

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

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

**Revenue recognition** – The Company determines, at contract inception, whether it will transfer control of a promised good or service over time or at a point in time, regardless of the length of contract or other factors. The recognition of revenue aligns with the timing of when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. To achieve this core principle, the Company applies the following five steps in accordance with its revenue policy:

- 1) Identify the contract with a customer
- 2) Identify the performance obligations in the contract
- 3) Determine the transaction price
- 4) Allocate the transaction price to performance obligations in the contract
- 5) Recognize revenue as performance obligations are satisfied

On certain contracts, the Company applies recognition of revenue over time, which is similar to the method the Company applied under previous guidance (i.e. percentage of completion). Due to uncertainties inherent in the estimation process, it is possible that estimates of costs to complete a performance obligation will be revised in the near-term. For those performance obligations for which revenue is recognized using a cost-to-cost input method, changes in total estimated costs, and related progress toward complete satisfaction of the performance obligation, are recognized on a cumulative catch-up basis in the period in which the revisions to the estimates are made. When the current estimate of total costs for a performance obligation indicate a loss, a provision for the entire estimated loss on the unsatisfied performance obligation is made in the period in which the loss becomes evident.

For product or equipment sales, the Company applies recognition of revenue when the customer obtains control over such goods, which is at a point in time.

On October 3, 2019, the Company entered into an Exclusive License Agreement (“ELA”) pursuant to which it granted an exclusive license for its technology as outlined in the ELA. The ELA is described below. Under the ELA, the Company was to receive royalty payments based upon gross revenues earned by the licensee for commercialized products within the field of design and project management platforms for residential use, including single-family residences and multi-family residences, but excluding military housing. The Company has determined that the ELA granted the licensee a right to access the Company’s intellectual property throughout the license period (or its remaining economic life, if shorter), and thus recognizes revenue over time as the licensee recognized revenue and the Company has the right to payment of royalties. On June 15, 2021, the Company terminated the ELA that was executed on October 3, 2019, and no revenue has been recognized under the ELA for the years ending December 31, 2022 and 2021.

**CMC Right of First Refusal Agreement**– On October 9, 2019, the Company entered into a Right of First Refusal Agreement (the “Agreement”) with CMC Development LLC (“CMC”), which had a term of two (2) years. Under the Agreement, the Company had a right of first refusal with respect to being engaged as a designer and builder of any real estate projects for which CMC has secured the rights to develop and in which CMC has a greater than fifty percent (50%) interest in the owner or developer entity and has the right to select the builder for such real estate project (the “ROFR Rights”). In exchange for such ROFR Rights, the Company agreed to issue to CMC 2,500 shares of restricted stock of the Company’s common stock, of which 1,250 shares vested on March 31, 2021 and the remaining 1,250 shares was to vest and be issued on September 30, 2021, unless the Agreement is earlier terminated. In the event that the Agreement was earlier terminated, CMC was entitled to receive the entire amount of such restricted stock that had vested as of such earlier termination date, but in no event less than 1,250 shares of such restricted stock. The Agreement also provided for customary indemnification and confidentiality obligations between the parties. The 2,500 shares of restricted stock of the Company’s common stock has yet to be issued to CMC.

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

The Agreement also provided that CMC has engaged the Company to build and design, in the aggregate, approximately 100 residential and commercial units at 1100 Ridge Avenue, Atlanta, Georgia, which is known as the “Ridge Avenue, Atlanta Project.” The total expected gross revenue to the Company for the project to be derived by CMC is approximately \$0. The project is a residential project but it was not subject to the recently terminated ELA. The planning stage of the project was initially delayed due to COVID-19. The Company is no longer participating on Ridge Avenue as CMC has decided to proceed with this project as a traditional construction build. The Company has reported this as a cancellation within the Company's backlog footnote, see Note 13 on this discussion. No revenue has been recognized under the Agreement during the years ending December 31, 2022 or 2021.

The Company entered into a joint venture agreement with Clarity Lab Solutions, LLC (“Clarity Labs”) (the “JV”) in the fourth quarter of 2021. Revenue from the activities of the JV is related to clinical testing services and is recognized when services have been rendered, which is at a point in time. Included in the consideration the Company expected to be entitled to receive, the Company estimates its contractual allowances, payer denials and price concessions. In addition, the Company formed Chicago Airport Testing, LLC which collected rental revenue from subleasing to a consortium of government entities assisting in COVID-19 testing. For the years ended December 31, 2022 and 2021, the Company recognized approximately \$11.6 million and 31.4 million, respectively, related to activities through these two joint ventures, which is included in medical revenue on the accompanying consolidated statements of operations. Due to the ongoing lower affects of COVID-19 restrictions, the JV began to wind down during the fourth quarter of 2022.

*Disaggregation of Revenues*

The Company's revenues are primarily derived from two segments, construction related to Modules projects and medical revenue derived from lab testing and test kit sales. The Company's contracts are with customers in various industries. Revenue recognized at a point in time and recognized over time were \$11,641,727 and \$12,752,219, respectively, for the year ended December 31, 2022. Revenue recognized at a point in time and recognized over time were \$31,548,012 and \$6,793,690, respectively, for the year ended December 31, 2021.

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

The following tables provide further disaggregation of the Company's revenues by categories:

Revenue by Segments and Customer Type	Twelve Months Ended December 31,			
	2022		2021	
<b>Construction Segment:</b>				
Government	\$ 905,554	4%	\$ 2,335,031	6%
Hotel/Hospitality	2,731,439	11%	1,110,303	3%
Multi-Family (includes Single Family)	86,033	—%	103,672	—%
Medical (construction services)	—	—%	495,122	1%
Office	9,009,209	37%	534,001	2%
Retail	5,344	—%	285,177	1%
Special Use	14,640	—%	1,930,384	5%
<b>Total Construction Revenue Segment (includes engineering service revenue)</b>	<b>\$ 12,752,219</b>	<b>52%</b>	<b>\$ 6,793,690</b>	<b>18%</b>
<b>Medical Revenue Segment (includes lab testing, kit sales and equipment)</b>	<b>\$ 11,641,727</b>	<b>48%</b>	<b>\$ 31,548,012</b>	<b>82%</b>
<b>Total Revenue by Segments and Customer Type</b>	<b>\$ 24,393,946</b>	<b>100%</b>	<b>\$ 38,341,702</b>	<b>100%</b>

*Contract Assets and Contract Liabilities*

Accounts receivable are recognized in the period when the Company's right to consideration is unconditional. Accounts receivable are recognized net of an allowance for credit losses. A considerable amount of judgment is required in assessing the likelihood of realization of receivables.

The timing of revenue recognition may differ from the timing of invoicing to customers.

Contract assets include unbilled amounts from long-term construction services when revenue recognized under the cost-to-cost measure of progress exceeds the amounts invoiced to customers, as the amounts cannot be billed under the terms of our contracts. Such amounts are recoverable from customers based upon various measures of performance, including achievement of certain milestones, completion of specified units or completion of a contract. Contract assets are generally classified as current within the consolidated balance sheets.

Contract liabilities from construction and engineering contracts occur when amounts invoiced to customers exceed revenues recognized under the cost-to-cost measure of progress. Contract liabilities additionally include advanced payments from customers on certain contracts. Contract liabilities decrease as the Company recognizes revenue from the satisfaction of the related performance obligation. Contract liabilities are generally classified as current within the consolidated balance sheet.

Although the Company 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.

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

*Deferred Contract Costs* - Prior to entering into the ELA, the Company was subject to an agreement to construct and develop a certain property ("Original Agreement"), which now was subject to the ELA. Because of this, the Company is no longer obliged to its Original Agreement. Upon entering the ELA, the Company had an outstanding accounts receivable balance of \$306,143 which was forfeited and recognized this amount as deferred contract costs. This amount was offset by \$102,217, which was reimbursement from the licensee for project costs on this project. The Company incurred total deferred contract costs of \$203,926. The Company considered this amount an incremental cost of obtaining that ELA, because the Company expected to recover those costs through future royalty payments. The Company initially planned to amortize the asset over sixty months, which is the initial term of the ELA because the asset relates to the services transferred to the customer during the contract term. As of December 31, 2022, accumulated amortization related to deferred contract costs amounted to \$132,552. During the years ended December 31, 2022 and 2021, amortization expense relating to the deferred contract costs amounted to \$40,785 and \$40,785 and is included in general and administrative expenses on the accompanying consolidated statements of operations. As previously mentioned, the ELA was terminated on June 15, 2021 but the Company expects to recover the deferred contract costs from the Assignment of Limited Rights Under Membership Interest Redemption Agreement, dated June 15, 2021 as described below.

*Exclusive License Agreement* – On October 3, 2019, as amended on October 17, 2019, the Company entered into the ELA with CPF GP 2019-1 LLC (the "Licensee"), pursuant to which the Company granted the Licensee an exclusive license (the "License") solely within the United States and its legal territories to the Company's technology, intellectual property, any improvements thereto, and any related permits, in order to develop and commercialize products within the field of design and project management platforms for residential use, including single-family residences and multi-family residences, but excluding military housing. The Ridge Avenue Project has also been excluded from the License. The ELA had an initial term of five (5) years and was to automatically renew for subsequent five (5) year periods. The ELA provided for customary terminating provisions, including the right by the Company to terminate if the Licensee failed to make minimum royalty payments (as described below).

In consideration for the License, during the initial term, the Licensee agreed to pay the Company a royalty of (x) five percent (5%) on the first \$20,000,000 of gross revenues derived from the Licensee's commercialization of the License (net of customary discounts, sales taxes, delivery charges, and amounts for returns) (the "Gross Revenues"), (y) four and one-half percent (4.5%) on the next \$30,000,000 of Gross Revenues, and (z) five percent (5%) on all Gross Revenues thereafter (collectively, the "Royalty"), subject to the following minimum royalty payments determined on a cumulative basis during the initial term: \$500,000 in year 1, \$750,000 in year 2, \$1,500,000 in year 3, \$2,000,000 in year 4, and \$2,500,000 in year 5. In addition, to the extent the Licensee sublicensed any aspect of the License to a sub-licensee, the Licensee was obligated to pay to the Company fifty percent (50%) of all payments received by the Licensee from such sublicensee.

The ELA provided for customary indemnification obligations between the parties and further provides that the Licensee will indemnify the Company for any claims arising out of the commercialization of the License by the Licensee or any of its subsidiaries, contractors, or sublicensees.

On June 15, 2021, the Company terminated the ELA. In connection with the termination, the Company entered into a Settlement and Mutual Release Agreement (the "Settlement Agreement") with CPF, the general partner (the "Licensee") of CPF MF 2019-1 LLC ("CPF MF"), and Capital Plus Financial, LLC, a limited partner of the Licensee ("Capital Plus") and an Assignment of Limited Rights Under Membership Interest Redemption Agreement, dated June 15, 2021, with Capital Plus and the Licensee. Pursuant to the Settlement Agreement with CPF and Capital Plus, the ELA was terminated, the Company released CPF and CPF MF for any claims in exchange for releases from CPF and Capital Plus and the Company received an assignment of CPF's right under certain circumstances to a \$1.25 million redemption distribution from CPF MF under its Operating Agreement.

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

**Business Combinations** - The Company accounts for business acquisitions using the acquisition method of accounting in accordance with ASC 805 "Business Combinations", which requires recognition and measurement of all identifiable assets acquired and liabilities assumed at their fair value as of the date control is obtained. The Company determines the fair value of assets acquired and liabilities assumed based upon its best estimates of the acquisition-date fair value of assets acquired and liabilities assumed in the acquisition. Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired. Subsequent adjustments to fair value of any contingent consideration are recorded to the Company's consolidated statements of operations. Costs that the Company incurs to complete the business combination are charged to general and administrative expenses as they are incurred.

**Variable Interest Entities** - The Company accounts for certain legal entities as variable interest entities ("VIE"). When evaluating a VIE for consolidation, the Company must determine whether or not there is a variable interest in the entity. Variable interests are investments or other interests that absorb portions of an entity's expected losses or receive portions of the entity's expected returns. If it is determined that the Company does not have a variable interest in the VIE, no further analysis is required and the VIE is not consolidated. If the Company holds a variable interest in a VIE, the Company consolidates the VIE when there is a controlling financial interest in the VIE and therefore are deemed to be the primary beneficiary. The Company is determined to have a controlling financial interest in a VIE when it has both the power to direct the activities of the VIE that most significantly impact the VIE economic performance and the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to that VIE. This determination is evaluated periodically as facts and circumstances change.

On August 27, 2020 the Company entered into a joint venture agreement with Clarity Lab Solutions, LLC ("Clarity Labs") (the "JV"). In consideration and subject to Clarity Lab's services and commitments and provided the agreement remains valid and in force, and is not terminated, the Company agreed to issue 200,000 restricted shares of SGB common stock over a defined vesting period starting in December 1, 2020. The restricted shares of SGB common stock were not issued to Clarity Labs as certain capital commitments were not met. Clarity Labs is a licensed clinical laboratory that uses specialized molecular testing equipment and that focuses on the diagnosis and treatment of critical diseases, including COVID-19. Clarity Labs is also engaged in the business of manufacturing, importing and distributing various medical tests. Under the JV, the Company and Clarity Labs will jointly market, sell, and distribute certain products and services ("Clarity Mobile Venture"). As of December 31, 2021, \$502,958 was due to Clarity Labs for expenses paid on behalf of Clarity Mobile Venture, and is included in Due to Affiliates, Accounts Payable and Accrued Expenses on the accompanying consolidated balance sheets. In addition, during the year ended December 31, 2021, the Company recognized revenue of \$60,110 and other income of \$60,000 to Clarity Labs, of which none is included in accounts receivable as of December 31, 2021. The Company has determined it is the primary beneficiary of Clarity Mobile Venture and has thus consolidated the activities in its consolidated financial statements. Due to the ongoing lower affects of COVID-19 restrictions, the JV was wound down during the fourth quarter of 2022, and the Company does not owe any amounts to Clarity Labs as of December 31, 2022.

On January 18, 2021 the Company entered into an operating agreement to form CAT. The purpose of CAT is to market sell, distribute, lease and otherwise commercially exploit certain products and services in the COVID-19 testing industry. The Company has determined it is the primary beneficiary of CAT and has thus consolidated the activities in its consolidated financial statements.



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

**Investment Entities** – On May 31, 2021, the Company's subsidiary SG DevCorp agreed to contribute \$600,000 to acquire a 50% membership interest in Norman Berry II Owner LLC ("Norman Berry"). The Company contributed \$350,329 and \$114,433 of the initial \$600,000 in the second quarter and third quarter of 2021 respectively, with the remaining \$135,238 funded in the fourth quarter of 2021. The purpose of Norman Berry II Owner LLC is to develop and provide affordable housing in the Atlanta, Georgia metropolitan area. The Company has determined it is not the primary beneficiary of "Norman Berry" and thus will not consolidate the activities in its consolidated financial statements. The Company will use the equity method to report the activities as an investment in its consolidated financial statements.

On June 24, 2021, the Company's subsidiary, SG DevCorp, entered into an operating agreement with Jacoby Development for a 10% non-dilutable equity interest for JDI-Cumberland Inlet, LLC ("Cumberland"). The Company contributed \$3,000,000 for its 10% equity interest. The purpose of JDI-Cumberland Inlet, LLC is to develop a waterfront parcel in a mixed-use destination community. The Company has determined it is not the primary beneficiary of JDI-Cumberland Inlet, LLC and thus will not consolidate the activities in its consolidated financial statements. The Company will use the equity method to report the activities as an investment in its consolidated financial statements.

During the year ended December 31, 2022, Norman Berry and Cumberland did not have any material earnings or losses as the investments are in development. In addition, management believes there was no impairment as of December 31, 2022.

The approximate combined financial position of the Company's equity affiliates are summarized below as of December 31, 2022 and 2021:

Condensed balance sheet information:	2022	2021
Total assets	\$ 37,500,000	\$ 37,700,000
Total liabilities	\$ 7,100,000	\$ 7,020,000
Members' equity	\$ 30,400,000	\$ 30,680,000

**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. Cash and cash equivalents totaled \$582,776 and \$13,024,381 as of December 31, 2022 and 2021, respectively.

**Short-term investment** – The Company classifies investments consisting of a certificate of deposit with a maturity greater than three months but less than one year as short-term investment. The Company had no short-term investment as of December 31, 2022 or 2021, respectively.

**Accounts receivable and allowance for credit losses** – 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. The Company recognizes accounts receivable at invoiced amounts.

The allowance for credit losses reflects the Company's best estimate of expected losses inherent in the accounts receivable balances. Management provides an allowance for credit losses 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. Recoveries are recognized when they are received. Actual collection losses may differ from our estimates and could be material to our consolidated financial position, results of operations, and cash flows.

**Inventory** – Raw construction materials (primarily shipping containers and fabrication materials) are valued at the lower of cost (first-in, first-out method) or net realizable value. Finished goods and work-in-process inventories are valued at the lower of cost or net realizable value, using the specific identification method. Medical equipment and COVID-19 test and testing supplies are valued at the lower of cost, (first-in, first-out method) or net realizable value. As of December 31, 2022 there was inventory of \$465,560 for construction materials. As of December 31, 2021 there was inventory of \$516,731 for construction materials, and \$757,094 of medical equipment and COVID-19 test and testing supplies.

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

**Goodwill** – The Company performs its impairment test of goodwill at the reporting unit level each fiscal year, or more frequently if events or circumstances change that would more likely than not reduce the fair value of its reporting unit below its carrying values. The Company performs a goodwill impairment test by comparing the fair value of the reporting unit with its carrying value and recognizes an impairment charge for the amount by which the carrying value exceeds the fair value, not to exceed the total amount of goodwill. The amount by which the carrying value of the goodwill exceeds its implied fair value, if any, is recognized as an impairment loss. There were no impairments during the years ended December 31, 2022 or 2021. The Company has taken the recent COVID-19 pandemic into consideration when determining impairment.

**Intangible assets** – Intangible assets consist of \$2,766,000 of proprietary knowledge and technology, which is being amortized over 20 years. In addition, included in intangible assets is \$97,164 of trademarks, and \$115,632 of website costs that are being amortized over 5 years. The Company evaluated intangible assets for impairment during the year ended December 31, 2022 and 2021 and determined that there are no impairment losses. The accumulated amortization and amortization expense as of and for the year ended December 31, 2022 was \$980,963 and \$164,092, respectively. The accumulated amortization and amortization expense for the years ended December 31, 2021 was \$815,732 and \$165,877 respectively. The estimated amortization expense for the successive five years is as follows:

For the year ending December 31.:

2023	\$ 174,741
2024	174,035
2025	170,618
2026	153,283
2027	149,605
Thereafter	1,175,551
	<u>\$ 1,997,833</u>

**Property, plant and equipment** – Property, plant and 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, furniture and other equipment 5 to 7 years, automobiles 2 to 5 years, buildings held for lease 5 to 7 years, and equipment 5 to 29 years. Repairs and maintenance are charged to expense when incurred.

**Held For Sale Assets** – On May 10, 2021 the Company's subsidiary, SG DevCorp acquired the Lago Vista, Texas property for \$3,576,130. Management has implemented a plan to sell this property during 2022, which meets all of the criteria required to classify it as Held for Sale. Including the project development costs associated with Lago Vista of \$820,696, the book value is now \$4,396,826.

**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 instrument would be considered a derivative instrument.

**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 or 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.

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

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

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

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

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

Transfer into and transfers out of the hierarchy levels are recognized as if they had taken place at the end of the reporting period. There were no transfers into or out of the hierarchy levels during the year ended December 31, 2022 or 2021.

**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, including non-employee directors, the fair value of a stock option award is measured on the grant date. 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 to employees and all directors are reported within payroll and related expenses in the consolidated statements of operations. Stock-based compensation expense to non-employees is reported within marketing and business development expense in the consolidated statements of operations.

**Other income (expense)** – Included in other income (expense) for the year ended December 31, 2022 is amounts in escrow resulting from the SG Echo acquisition which were remitted to the Company in the amount of \$406,438. At the time of acquisition and previously, the Company did not believe such amount was recognizable. Additionally included in other income for the year ended December 31, 2022 was legal settlement income in the amount of \$150,000, approximately \$100,000 collected from the settlement of an accounts payable balance, approximately \$178,000 from the write off of accounts payable and approximately \$390,000 from the write off of accounts receivable resulting from the settlement of a lawsuit.

**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.

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

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

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

With respect to receivables, concentrations of credit risk are limited to a few customers in the construction industry. The Company performs ongoing credit evaluations of its customers' financial condition and, generally, requires no collateral from its customers other than normal lien rights. At December 31, 2022 and 2021, 80% and 78%, respectively, of the Company's gross accounts receivable were due from three and four customers.

Revenue in excess of 10% relating to three and one customers represented approximately 65% and 80% of the Company's total revenue for the year ended December 31, 2022 and 2021, respectively.

For the year ending December 31, 2022 and 2021, there were no vendors that represented 10% or more of our cost of revenue. 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, 2022, 2021 and 2020, the Company's accounts receivable consisted of the following:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Billed:			
Construction services	\$ 1,310,456	\$ 2,293,187	\$ 1,391,555
Engineering services	—	86,388	86,264
Medical revenue	—	679,446	1,157,819
Retainage receivable	—	635,049	615,136
Other receivable	115,746	186,692	180,748
Total gross receivables	<u>1,426,202</u>	<u>3,880,762</u>	<u>3,431,522</u>
Less: allowance for credit losses	<u>(145,746)</u>	<u>(963,116)</u>	<u>(795,914)</u>
Total net receivables	<u>\$ 1,280,456</u>	<u>\$ 2,917,646</u>	<u>\$ 2,635,608</u>

Receivables are evaluated for collectability and allowances for potential losses are established or maintained on applicable receivables. There were direct write offs of \$40,580 during the year ended December 31, 2022. There was a provision for credit losses of \$0 and \$167,202 for the years ended December 31, 2022 and 2021, respectively.

**5. Contract Assets and Contract Liabilities**

Costs and estimated earnings on uncompleted contracts, which represent contract assets and contract liabilities, consisted of the following at December 31:

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Costs incurred on uncompleted contracts	\$ 13,730,177	\$ 4,272,425	\$ 4,572,581
Provision for loss on uncompleted contracts	—	2,238,578	—
Estimated earnings (losses) to date on uncompleted contracts	<u>(2,160,085)</u>	<u>(3,156,377)</u>	<u>872,302</u>
Gross contract assets	11,570,092	3,354,626	5,444,883
Less: billings to date	<u>(11,970,979)</u>	<u>(4,750,289)</u>	<u>(5,916,487)</u>
Net contract liabilities on uncompleted contracts	<u>\$ (400,887)</u>	<u>\$ (1,395,663)</u>	<u>\$ (471,604)</u>

The above amounts are included in the accompanying consolidated balance sheets under the following captions at December 31:

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Contract assets	\$ 36,384	\$ 41,916	\$ 1,303,136
Contract liabilities	<u>(437,271)</u>	<u>(1,437,579)</u>	<u>(1,774,740)</u>
Net contract liabilities	<u>\$ (400,887)</u>	<u>\$ (1,395,663)</u>	<u>\$ (471,604)</u>

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

**6. Project Development Costs and Other Non-Current Assets**

Project development costs and other non-current assets are stated at cost. At December 31, 2022, the Company's project development costs related mainly to its construction segment totaled \$289,984 and other non-current assets which includes security deposits totaled \$193,562. At December 31, 2021, the Company's project development costs related mainly to its development segment totaled \$719,610 and other non-current assets which includes security deposits totaled \$203,562.

**7. Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and amortization and depreciated using the straight-line method over their useful lives. At December 31, 2022 and 2021, the Company's property, plant and equipment, net consisted of the following:

	2022	2021
Computer equipment and software	\$ 94,530	\$ 156,701
Furniture and other equipment	271,798	275,606
Leasehold improvements	17,280	15,400
Equipment and machinery	943,464	1,219,056
Automobiles	4,638	4,638
Building held for lease	196,416	196,416
Laboratory and temporary units	1,364,748	1,362,760
Land	1,190,655	3,576,130
Construction in process	2,244,100	442,515
Property, plant and equipment	6,327,629	7,249,222
Less: accumulated depreciation	(718,726)	(409,279)
Property, plant and equipment, net	<u>\$ 5,608,903</u>	<u>\$ 6,839,943</u>

Depreciation expense for the years ended December 31, 2022 and 2021 amounted to \$410,314 and \$398,744, respectively.

**8. Notes Receivable**

On January 21, 2020, CPF GP 2019-1 LLC ("CPF GP") issued to the Company a promissory note in the principal amount of \$100,000 (the "Company Note") and issued to Paul Galvin, the Company's Chairman and CEO, a promissory note in the principal amount of \$100,000 (the "Galvin Note"). The transaction closed on January 22, 2020, on which date the Company loaned CPF GP 2019-1 LLC \$400,000 and Mr. Galvin personally loaned CPF GP \$100,000 on behalf of the Company. The Company Note and Galvin Note were issued pursuant to that certain Loan Agreement and Promissory Note, dated October 3, 2019 (the "Loan Agreement"), as amended on October 15, 2019 and November 7, 2019 by and between the CPF GP and the Company, and bear interest at five percent (5%) per annum, payable, together with the unpaid principal amount of the promissory notes, on the earlier of the July 31, 2023 maturity date or upon the liquidation, redemption sale or issuance of a dividend upon the LLC interests in CPF MF 2019-1 LLC, a Texas limited liability company of which CPF GP is the general partner; provided, that the terms of the Galvin Note provide that all interest payments due to Mr. Galvin under the Galvin Note shall be paid directly to, and for the benefit of, the Company.

In April 2020, CPF GP issued to the Company a promissory note in the principal amount of \$250,000 (the "Company Note 2"). The transaction closed on April 15, 2020, on which date the Company loaned CPF GP 2019-1 LLC \$250,000. The Company Note was issued pursuant to that certain Loan Agreement and Promissory Note, dated October 3, 2019 (the "Loan Agreement 2"), as amended on October 15, 2019 and November 7, 2019 by and between the CPF GP and the Company, and bear interest at five percent (5%) per annum, payable, together with the unpaid principal amount of the promissory notes, on the earlier of the July 31, 2023 maturity date or upon the liquidation, redemption sale or issuance of a dividend upon the LLC interests in CPF MF 2019-1 LLC, a Texas limited liability company of which CPF GP is the general partner. Interest income recognized for the years ended December 31, 2022 and 2021 amounted to \$37,397 and \$37,500, respectively.

During the year ended December 31, 2022, the Galvin Note was assigned to the Company and the principal amount of \$100,000 was paid to Mr. Galvin. The Company has a promissory note in the principal amount of \$100,000 (the "Company Note 3") and the assignment occurred in January 2022. The promissory notes are unaffected by the Settlement and Mutual Release Agreement and remain in effect and outstanding in accordance with the terms of the notes evidencing such loans. See Note 3 for a discussion on the Settlement and Mutual Release Agreement and termination of the ELA with CPF.

**9. Accounts Payables and Accrued Liabilities**

The Company's accounts payables and accrued liabilities at December 31, 2022 and 2021, consisted of the following:

	<u>2022</u>	<u>2021</u>
Accounts payable <sup>(1)</sup>	\$ 3,147,014	\$ 3,784,662
Accrued public fees <sup>(2)</sup>	178,491	121,749
Accrued construction cost of goods sold	—	367,298
Accrued losses <sup>(3)</sup>	—	2,238,578
Accrued medical cost of goods sold	—	208,512
Accrued g&a	254,557	176,432
Accrued project development costs	—	77,700
Accrued payroll and benefits <sup>(4)</sup>	349,777	545,003
Accrued interest	10,923	11,333
Accrued non-income taxes <sup>(5)</sup>	68,760	37,584
<b>Total Accounts Payable and Accrued Liabilities</b>	<u><u>\$ 4,009,522</u></u>	<u><u>\$ 7,568,851</u></u>

(1) Payables also includes insurance financing payable and construction retainage payable balances along with the Company's normal account payable balances.

(2) Public fees include accruals for accounting, legal, and SEC compliance expenses.

(3) Losses for on-going construction projects related to the Construction segment.

(4) Accrued wages, salaries, PTO, benefits, taxes, and other incentive plan expenses.

(5) Non-income taxes includes property taxes, franchise taxes and other.

**10. Notes Payable**

On July 14, 2021, SG DevCorp, a subsidiary of the Company, issued a Real Estate Lien Note, in the principal amount of \$2,000,000 (the "Short-Term Note"), secured by a Deed of Trust, dated July 14, 2021 (the "Deed of Trust"), on the Company's 50+ acre Lake Travis project site in Lago Vista, Texas and a related Assignment of Leases and Rents, dated July 8, 2021 ("Assignment of Rents"), for net loan proceeds of approximately \$1,948,234 after fees. The Short-Term Note has a term of one (1) year, provides for payments of interest only at a rate of twelve percent (12%) per annum and may be prepaid without penalty commencing nine (9) months after its issuance date. If the Short-Term Note is prepaid prior to nine (9) months after its issuance date, a 0.5% prepayment penalty is due. The Company capitalized \$20,000 in interest charges and \$4,134 in debt issuance costs during the year ended December 31, 2022 related to the Lago Vista project in accordance with ASC 835-20. The Company capitalized \$112,348 in interest charges and \$23,727 in debt issuance costs as of December 31, 2021 related to the Lago Vista project in accordance with ASC 835-20. On July 14, 2022, the Company entered into a renewal and extension of the Short-Term Note, with a maturity date of January 14, 2023 and all other terms remaining the same.

On September 8, 2022, the Company entered into a Second Real Estate Lien Note, in the principal amount of \$500,000, with similar terms to the Short-Term Note ("Second Short-Term Note"). The Second Short-Term Note has a maturity date of January 14, 2023.

On October 29, 2021, SG Echo, a subsidiary of the Company, entered into a Loan Agreement ("Loan Agreement") with the Durant Industrial Authority (the "Authority") pursuant to which it received \$750,000 to be used for renovation improvements related to the Company's second manufacturing facility and issued to the Authority a non-interest bearing Forgivable Promissory Note in the principal amount of \$750,000 (the "Forgivable Note"). The Forgivable Note is due on April 29, 2029 and guaranteed by the Company, provided, if no event of default has occurred under the Forgivable Note or Loan Agreement, one-third (1/3) of the balance of the Forgivable Note will be forgiven on April 29, 2027, one-half (1/2) of the balance of the Forgivable Note will be forgiven on April 29, 2028, and the remainder of the balance of the Forgivable Note will be forgiven on April 29, 2029. The Loan Agreement includes a covenant by SG Echo to employ a minimum of 75 full-time employees in Durant Oklahoma and pay them no less than 1.5 times the federal minimum wage, and provides SG Echo 24 months to comply with the provision.

**10. Notes Payable (continued)**

In August 2022, SG DevCorp entered into a \$148,300 promissory note ("2022 Note") to purchase property. The 2022 Note bears annual interest at the rate of 9.75%, with interest payments due monthly until its maturity on September 1, 2023. The 2022 Note is secured by the underlying property.

**11. Business Combination**

On September 17, 2020, the Company, through SG Echo, LLC (its wholly owned subsidiary), entered into an Asset Purchase Agreement ("APA") to acquire substantially all of the assets of Echo DCL, LLC ("Echo") for \$1,059,600 in cash (the "Echo Acquisition"), except for ECHO DCL's real estate holdings. The Echo Acquisition closed on September 23, 2020. In addition, the sellers of Echo have the potential of additional consideration based upon the APA. In accordance with ASC 805, the Echo Acquisition is accounted for as a business combination. The Echo Acquisition was made for the purpose of expanding the Company's footprint into the modular manufacturing business.

As part of the Echo Acquisition, the Company recorded a contingent consideration liability for additional payments due to the sellers of Echo. These payments are due in accordance with the APA and are based upon the net income obtained from the Echo business during certain earnout periods. The earnout periods concluded as of September 30, 2021. The initial contingent consideration liability of \$0 was based on the fair value of the contingent consideration liability at the acquisition date, and is payable in cash and shares of restricted common stock of the Company. Any contingent liability would be paid out in the period after the earn out period, once additional advances are paid in full. As of December 31, 2021, the earnout period has ended and no amount was due.

**12. Leases**

The Company leases an office, a plant and certain equipment under non-cancelable operating and finance lease agreements. The leases have remaining lease terms ranging from one year to ten years.

Supplemental balance sheet information related to leases is as follows:

<b>Balance Sheet Location</b>		<b>December 31, 2022</b>
<b>Operating Leases</b>		
Right-of-use assets, net		\$ 2,517,559
Current liabilities	Lease liability, current maturities	(418,619)
Non-current liabilities	Lease liability, net of current maturities	(2,118,958)
Total operating lease liabilities		<u>\$ (2,537,577)</u>
<b>Finance Leases</b>		
Right-of-use assets		\$ 1,903,443
Current liabilities	Lease liability, current maturities	(806,775)
Non-current liabilities	Lease liability, net of current maturities	(920,878)
Total finance lease liabilities		<u>\$ (1,727,653)</u>
<b>Weighted Average Remaining Lease Term</b>		
Operating leases		6.93 years
Finance leases		2 years
<b>Weighted Average Discount Rate</b>		
Operating leases		3%
Finance leases		3%



**12. Leases (continued)**

As the leases do not provide an implicit rate, the Company used an incremental borrowing rate based on the information available at the lease commencement date in determining the present value of the lease payments, which is reflective of the specific term of the leases and economic environment of each geographic region.

Anticipated future lease costs, which are based in part on certain assumptions to approximate minimum annual rental commitments under non-cancelable leases, are as follows:

Year Ending December 31,	Operating	Financing	Total
2023	\$ 525,718	\$ 851,792	\$ 1,377,510
2024	523,722	801,869	1,325,591
2025	446,349	131,544	577,893
2026	207,379	—	207,379
2027	211,526	—	211,526
Thereafter	908,376	—	908,376
Total lease payments	<u>2,823,070</u>	<u>1,785,205</u>	<u>4,608,275</u>
Less: Imputed interest	285,493	57,552	343,045
Present value of lease liabilities	<u>\$ 2,537,577</u>	<u>\$ 1,727,653</u>	<u>\$ 4,265,230</u>

Chicago Airport Testing has subleased its leased vacant area for a period of one year, the sublessee has the option to terminate at any time after the first six months. The sublessee elected to terminate the Agreement, effective as of July 31, 2021 and the Company has no remaining lease revenue from the sublessee.

Total lease expense amounted to \$770,272 and \$367,869 for the years ending December 31, 2022 and 2021.

**13. Construction Backlog**

The following represents the backlog of signed construction and engineering contracts in existence at December 31, 2022 and 2021, which represents the amount of revenue the Company expects to realize from work to be performed on uncompleted contracts in progress and from contractual agreements in effect at December 31, 2022 and December 31, 2021, respectively, on which work has not yet begun:

	2022	2021
<b>Balance - beginning of period</b>	<u>\$ 3,217,909</u>	<u>\$ 25,117,461</u>
New contracts and change orders during the period	13,803,733	3,191,335
Adjustments and cancellations, net	1,086,301	(18,297,197)
Subtotal	18,107,943	10,011,599
Less: contract revenue earned during the period	(11,297,181)	(6,793,690)
<b>Balance - end of period</b>	<u><u>\$ 6,810,762</u></u>	<u><u>\$ 3,217,909</u></u>

**13. Construction Backlog (continued)**

Backlog at December 31, 2021 included two contracts entered into during the third quarter of 2020 in the amount of approximately \$4 million and approximately \$2.95 million along with three contracts during the fourth quarter of 2020 in the amount of approximately \$2.7 million, \$0.80 million, and \$0.70 million. The Company executed one large contract in the first quarter of 2021 in the amount of approximately \$1.3 million, one large contract in the third quarter of 2021 of approximately \$0.87 million and had one large partial contract cancellation to an existing contract of approximately (\$1.3) million. The Company executed one large contract in the fourth quarter of 2021 in the amount of approximately \$0.78 million and had one contract cancellation in the amount of approximately \$16.9 million. During 2022, the Company entered into a contract with ATCO Structures & Logistics (USA) Inc. for \$5,771,200 that is reflected in the December 31, 2022 backlog. The Company expects that all of this revenue will be realized by December 31, 2023.

The Company's remaining backlog as of December 31, 2022 represents the remaining transaction price of firm contracts for which work has not been performed and excludes unexercised contract options.

The Company expects to satisfy its backlog which represents the remaining unsatisfied performance obligation on contracts as of December 31, 2022 over the following period:

	<b>2022</b>
Within 1 year	\$ 6,810,762
Total Backlog	<u>\$ 6,810,762</u>

Although backlog reflects business that is considered to be firm, cancellations, deferrals or scope adjustments may occur. Backlog is adjusted to reflect any known project cancellations, revisions to project scope and cost and project deferrals, as appropriate.

**14. Segment Reporting**

We have organized our operations into three segments: Construction, Medical, Development and Environmental. We allocate to segment results the operating expenses "Payroll and related expenses," "General and administrative," "Marketing and business development," and "Pre-project" based on usage, which is generally reflected in the segment in which the costs are incurred. These segments reflect the way our executive team evaluates the Company's business performance and manages its operations. The Construction segment includes the Company's manufacturing unit SG ECHO and other modules projects. The Medical segment mainly consists of the Company's joint venture COVID-19 laboratory operations. The Development segment includes real property development utilizing our technology and our manufacturing facility. The Environmental segment has had no activity through December 31, 2022. Corporate and support consists of general corporate expenses such as our executive office; the corporate finance, accounting, audit, tax, human resources, risk management, information technology, marketing, and legal groups; corporate overhead and other items not allocated to any of the Company's segments. From time to time, the Company revises the measurement of each segment's cost of revenue and operating expenses, including any corporate overhead allocations, as determined by the information regularly reviewed by its executive team. Information for the Company's segments, as well as for Corporate and support, is provided in the following table:

## 14. Segment Reporting (continued)

	Construction	Medical	Development	Corporate/Support	Consolidated
<b>Fiscal Year Ended December 31, 2022</b>					
Revenue	\$ 12,752,219	\$ 11,641,727	\$ —	\$ —	\$ 24,393,946
Operating income (loss)	(472,039)	2,588,830	(2,137,866)	(7,208,895)	(7,229,970)
Other income (expense)	373,300	—	(306,393)	73,821	140,728
Income (loss) before income taxes	<u>(98,739)</u>	<u>2,588,830</u>	<u>(2,444,259)</u>	<u>(7,135,074)</u>	<u>(7,089,242)</u>
Less: Net income (loss) attributable to non-controlling interest	—	1,229,806	—	—	1,229,806
Net income (loss) attributable to common stockholders of Safe & Green Holdings Corp.	<u>\$ (98,739)</u>	<u>\$ 1,359,024</u>	<u>\$ (2,444,259)</u>	<u>\$ (7,135,074)</u>	<u>\$ (8,319,048)</u>
Total assets	\$ 11,287,672	\$ 291,542	\$ 9,268,918	\$ 5,707,548	\$ 26,555,680
Depreciation and amortization	\$ 574,961	\$ 40,230	\$ —	\$ —	\$ 615,191
Capital expenditures	\$ 1,858,054	\$ —	\$ 893,785	\$ 8,193	\$ 2,760,032
<b>Fiscal Year Ended December 31, 2021</b>					
Revenue	\$ 6,793,690	\$ 31,548,012	\$ —	\$ —	\$ 38,341,702
Operating income (loss)	(7,041,313)	8,405,332	(203,078)	(7,143,792)	(5,982,851)
Other income (expense)	5,163	(9,878)	(55)	79,248	74,478
Income (loss) before income taxes	<u>(7,036,150)</u>	<u>8,395,454</u>	<u>(203,133)</u>	<u>(7,064,544)</u>	<u>(5,908,373)</u>
Net income (loss) attributable to non-controlling interest	—	4,924,303	—	—	4,924,303
Net income (loss) attributable to common stockholders of Safe & Green Holdings Corp.	<u>\$ (7,036,150)</u>	<u>\$ 3,471,151</u>	<u>\$ (203,133)</u>	<u>\$ (7,064,544)</u>	<u>\$ (10,832,676)</u>
Total assets	\$ 12,274,536	\$ 5,884,098	\$ 8,053,885	\$ 8,711,499	\$ 34,924,018
Depreciation and amortization	\$ 351,795	\$ 240,266	\$ —	\$ 13,345	\$ 605,406
Capital expenditure	\$ 886,504	\$ 362,122	\$ 3,576,130	\$ —	\$ 4,824,756

**15. Income Taxes**

The Company's provision (benefit) for income taxes consists of the following for the year ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Deferred:		
Federal	\$ (1,600,538)	\$ (2,302,762)
State and local	(688,620)	(477,375)
Total deferred	(2,289,158)	(2,780,137)
Total provision (benefit) for income taxes	(2,289,158)	(2,780,137)
Less: valuation allowance	2,289,158	2,780,137
Income tax provision	<u>\$ —</u>	<u>\$ —</u>

A reconciliation of the federal statutory rate to 0.0% for the year ended December 31, 2022 and 2021 to the effective rate for income from operations before income taxes is as follows:

	<u>2022</u>	<u>2021</u>
Benefit for income taxes at federal statutory rate	21.0%	21.0%
State and local income taxes, net of federal benefit	3.9	3.9
Goodwill impairment	—	—
Change in state rate	—	—
Less valuation allowance	(24.9)	(24.9)
Effective income tax rate	<u>0.0%</u>	<u>0.0%</u>

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, 2022 and 2021 as follows:

	<u>2022</u>	<u>2021</u>
Net operating loss carryforward	\$ 8,155,944	\$ 6,480,539
Bad debt reserve	37,734	239,334
Employee stock compensation	2,031,628	1,231,564
Intangible assets	(467,395)	(488,958)
Depreciation	(165,336)	(131,437)
Accrued expenses	74,801	47,184
Charity	213	205
Net deferred tax asset	9,667,589	7,378,431
Valuation allowance	(9,667,589)	(7,378,431)
Net deferred tax asset	<u>\$ —</u>	<u>\$ —</u>

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. During 2022 certain adjustments were made to the Company's net operating loss carryforward tax asset for IRC Section 382 limitations. The valuation allowance increased by \$2,289,158 and \$2,780,137 during 2022 and 2021, respectively.

As of December 31, 2022, the Company had a net operating loss carryforward of approximately \$30.2 million for Federal and State tax purposes. The net operating loss expires beginning 2030 through 2037 for those losses generated in 2017 and prior years. Approximately \$18 million of such net operating losses will carryforward indefinitely and be available to offset up to 80% of future taxable income each year. Subsequent to December 31, 2019, the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") was passed, which temporarily removes such 80% limitation for years 2019 and 2020. The Company's net operating loss carryforward may be subject to annual limitations, which could reduce or defer the utilization of the losses as a result of an ownership change as defined in Section 382 of the Internal Revenue Code.

**15. Income Taxes (continued)**

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 than 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, 2022, the Company has no unrecognized tax positions, including interest and penalties. The Company files returns in the United States Federal tax jurisdiction and various other state jurisdictions.

**16. 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, 2022, there were options, including options granted to non-employees and non-directors, restricted stock units and warrants to purchase 6,436, 3,370,186 and 2,025,020 shares of common stock, respectively, outstanding that could potentially dilute future net income per share. Because the Company had a net loss as of December 31, 2022, it is prohibited from including potential common shares in the computation of diluted per share amounts. Accordingly, the Company has used the same number of shares outstanding to calculate both the basic and diluted loss per share. At December 31, 2021, there were options, including options to non-employees and non-directors, restricted stock units and warrants to purchase 36,436, 2,220,514 and 2,025,520 shares of common stock, respectively, outstanding that could potentially dilute future net income per share.

**17. Stockholders' Equity**

**Public Offerings** – In June 2017, the Company issued 75,000 shares of its common stock at \$100.00 per share through the Public Offering. The Company incurred \$1,388,615 in issuance costs from the Public Offering and issued 3,750 warrants valued at \$55,475 to the underwriters (as discussed in Note 18).

In July 2017, as permitted by the underwriting agreement entered into in connection with the Public Offering, the underwriters exercised their option to purchase an additional 11,250 shares of common stock at \$100.00 per share. The Company incurred \$176,771 in issuance costs from this issuance. In connection with this exercise, certain affiliates of the underwriters were granted additional warrants to purchase 563 shares of common stock in the aggregate valued at \$8,321 (as discussed in Note 18).

In connection with and prior to the Public Offering, the Company issued 90,084 shares of its common stock upon conversion of all outstanding preferred stock and 25,833 shares of its common stock upon conversion of the previously outstanding convertible debentures.

In December 2019, the Company completed a public offering of its common stock (the "Public Offering"). In connection with the Public Offering, the Company sold 857,500 shares of common stock at a public offering price of \$3.00 per share, resulting in aggregate net proceeds of \$2,117,948 after deducting underwriting discounts and commissions and other expenses related to the offering. The Company incurred \$454,552 in issuance costs from the Public Offering and no warrants to purchase were issued to the underwriters.

In April 2020, the Company also completed a public offering of its common stock (the "April Public Offering"). In connection with the April Public Offering, the Company sold 440,000 shares of common stock at a public offering price of \$4.25 per share, resulting in aggregate net proceeds of approximately \$1,522,339 after deducting underwriting discounts and commissions and other expenses related to the offering. The Company incurred a total of approximately \$347,661 in issuance costs in connection with the offering and no warrants to purchase were issued to the underwriters.

**17. Stockholders' Equity (continued)**

In May 2020, the Company completed a public offering of its common stock (the "May Public Offering"). In connection with the May Public Offering, the Company sold 6,000,000 shares of common stock at a public offering price of \$2.50 per share. Pursuant to the terms of the related Underwriting Agreement dated May 6, 2020 by and among the Company and ThinkEquity, a division of Fordham Financial Management, Inc., as representatives of several underwriters named therein ("ThinkEquity"), ThinkEquity was granted an over-allotment option to purchase up to an additional 900,000 shares of the Company's common stock, par value \$0.01 per share (the "Common Stock"), in connection with the previously announced public offering. On May 15, 2020, ThinkEquity exercised in full such option with respect to all 900,000 shares of the Company's Common Stock (the "Option Shares"). After giving effect to the full exercise of the over-allotment option, the total number of shares of Common Stock sold by the Company in the May Public Offering was 6,900,000 shares of Common Stock and total net proceeds to the Company, after deducting underwriting discounts and commissions and other offering expenses payable by the Company, were approximately \$15,596,141. The Company incurred a total of approximately \$1,653,859 in issuance costs in connection with the offering and issued warrants to purchase 300,000 shares of common stock to the underwriters.

In October 2021, the Company closed a registered direct offering and concurrent private placement of its common stock (the "October Offering") that the Company effected pursuant to the Securities Purchase Agreement that it entered into on October 25, 2021 with an institutional investor and received gross proceeds of \$11.55 million. Pursuant to the terms of the Purchase Agreement, the Company issued to the investor (A) in a registered direct offering (i) 975,000 shares (the "Public Shares") of its Common Stock, par value \$0.01 per share (the "Common Stock"), and (ii) pre-funded warrants (the "Pre-Funded Warrants") to purchase up to 2,189,384 shares (the "Pre-Funded Warrant Shares") of Common Stock and (B) in a concurrent private placement, Series A warrants to purchase up to 1,898,630 shares (the "Common Stock Warrant Shares") of Common Stock (the "Common Stock Warrants," and together with the Public Shares and the Pre-Funded Warrants, the "Securities") (the "Offering"). The Pre-Funded Warrants were immediately exercisable at a nominal exercise price of \$0.001 and all Pre-Funded Warrants sold have been exercised. The Common Stock Warrants have an exercise price of \$4.80 per share, are exercisable upon issuance and will expire five years from the date of issuance. A.G.P./Alliance Global Partners (the "Placement Agent") acted as the exclusive placement agent for the transaction pursuant to that certain Placement Agency Agreement, dated as of October 25, 2021, by and between the Company and the Placement Agent (the "Placement Agency Agreement"), the Placement Agent received (i) a cash fee equal to seven percent (7.0%) of the gross proceeds from the placement of the Securities sold by the Placement Agent in the Offering and (ii) a non-accountable expense allowance of one half of one percent (0.5%) of the gross proceeds from the placement of the Gross Proceeds Securities sold by the Placement Agent in the Offering. The Company also reimbursed the Placement Agent's expenses up to \$50,000 upon closing the Offering. The net proceeds to the Company after deducting the Placement Agent's fees and the Company's estimated offering expenses was approximately \$10.5 million.

**Securities Purchase Agreement** – In April 2019, the Company issued 42,388 shares of its common stock at \$2.00 per share through a Securities Purchase Agreement (the "Purchase Agreement") with certain institutional investors and accredited investors. Concurrently with the sale of the common stock, pursuant to the Purchase Agreement, the Company also sold common stock purchase warrants to such investors to purchase up to an aggregate of 42,388 shares of common stock. The Company incurred \$379,816 in issuance costs from the offering and issued 4,239 warrants to the underwriters. The warrants are further discussed in Note 18.

**17. Stockholders' Equity (continued)**

**Decrease in Authorized Shares** – On June 5, 2019, at the Company's annual meeting of stockholders, the stockholders approved an amendment to the Company's amended and restated certificate of incorporation to decrease the number of authorized shares of common stock from 300,000,000 to 25,000,000 shares. Following the meeting, on June 5, 2019, the Company filed a certificate of amendment to the amended and restated certificate of incorporation to decrease its authorized shares of common stock accordingly. There was no change to the number of authorized shares of preferred stock.

**Underwriting Agreement** – In August 2019, the Company issued 45,000 shares of its common stock at \$7.00 per share pursuant to the terms of an Underwriting Agreement (the "Underwriting Agreement") to the public. The Company incurred \$181,695 in issuance costs from the offering and issued warrants to purchase 2,250 shares of common stock to the underwriter. The warrants are further discussed in Note 18.

**18. Warrants**

In conjunction with the June 2017 Public Offering, the Company issued to certain affiliates of the underwriters, as compensation, warrants to purchase an aggregate of 4,313 shares of common stock at an exercise price of \$25.00 per share. The warrants are exercisable at the option of the holder on or after June 21, 2018 and expire June 21, 2023. The fair value of warrants was calculated utilizing a Black-Scholes model and amounted to \$3,796. The fair market value of the warrants as of the date of issuance has been included in issuance costs in additional paid-in capital.

In conjunction with the Purchase Agreement in April 2019, the Company also sold warrants to purchase up to an aggregate of 42,388 shares of common stock at an initial exercise price of \$27.50 per share. The warrants are exercisable at the option of the holder on or after October 29, 2019 and expire October 29, 2024. The Company issued to certain affiliates of the underwriters, as compensation, warrants to purchase an aggregate of 4,239 shares of common stock at an initial exercise price of \$27.50 per share. The warrants are exercisable at the option of the holder on or after October 29, 2019 and expire April 24, 2024.

In conjunction with the Underwriting Agreement in August 2019, the Company issued to the underwriter, as compensation, warrants to purchase an aggregate of 2,250 shares of common stock at an initial exercise price of \$1.25 per share. The warrants are exercisable at the option of the holder on or after February 1, 2020 and expire August 29, 2024.

In conjunction with the Underwriting Agreement in May 2020, the Company issued to the underwriter, as compensation, warrants to purchase an aggregate of 300,000 shares of common stock at an initial exercise price of \$1.14 per share. The warrants are exercisable at the option of the holder on or after November 6, 2020 and expire May 5, 2025. During the year ended December 31, 2021, 226,300 warrants were exercised and converted into common stock of the Company. The Company has received proceeds of approximately \$707,000 from the exercise of the warrants.

In conjunction with the Purchase Agreement in October 2021, the Company also issued Series A warrants to purchase up to 1,898,630 shares of Common Stock in a concurrent private placement. The warrants have an exercise price of \$4.80 per share, exercisable at the option of the holder on or after October 26, 2021 and will expire five years from the date of issuance.

**19. Share-based Compensation**

On October 26, 2016, the Company's Board of Directors approved the issuance of up to 25,000 shares of the Company's common stock in the form of restricted stock or options ("2016 Stock Plan"). Effective January 20, 2017, the 2016 Stock Plan was amended and restated as the SG Blocks, Inc. Stock Incentive Plan, as further amended effective June 1, 2018 and as further amended on July 30, 2020 and as further amended on August 18, 2021, (the "Incentive Plan"). The Incentive Plan authorizes the issuance of up to 3,625,000 shares of common stock. It authorizes the issuance of equity-based awards in the form of stock options, stock appreciation rights, restricted shares, restricted share units, other share-based awards and cash-based awards to non-employee directors and to officers, employees and consultants of the Company and its subsidiary, except that incentive stock options may only be granted to the Company's employees and its subsidiary's employees. The Incentive Plan expires on October 26, 2026, and is administered by the Company's Compensation Committee of the Board of Directors. Each of the Company's employees, directors, and consultants are eligible to participate in the Incentive Plan. As of December 31, 2022, there were 376,060 shares of common stock available for issuance under the Incentive Plan.

Stock-based compensation expense is included in the consolidated statements of operations as follows:

	<b>Year Ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Payroll and related expenses	\$ 2,798,844	\$ 1,647,391
General and administrative expenses	—	—
Total	<u>\$ 2,798,844</u>	<u>\$ 1,647,391</u>

The following table presents total stock-based compensation expense by security type included in the consolidated statements of operations:

	<b>Year Ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Stock options	\$ —	\$ 2,666
RSUs	2,798,844	1,644,725
Total	<u>\$ 2,798,844</u>	<u>\$ 1,647,391</u>

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.



**19. Share-based Compensation (continued)**

The following table summarizes stock-based option activities and changes during the years ended December 31, 2022 and 2021, as described below:

	Shares	Weighted Average Fair Value Per Share	Weighted Average Exercise Price Per Share	Weighted Average Remaining Terms (in years)	Aggregate Intrinsic Value
<b>Outstanding – December 31, 2020</b>	36,436	\$ 35.54	\$ 78.71	6.34	\$ —
Granted	—	—	—	—	—
Exercised	—	—	—	—	—
Cancelled	—	—	—	—	—
<b>Outstanding – December 31, 2021</b>	36,436	\$ 24.80	\$ 78.71	5.34	\$ —
Granted	—	—	—	—	—
Exercised	—	—	—	—	—
Cancelled	—	—	—	—	—
<b>Outstanding – December 31, 2022</b>	36,436	24.80	78.71	4.34	\$ —
<b>Exercisable – December 31, 2021</b>	36,436	24.80	78.71	5.34	—
<b>Exercisable – December 31, 2022</b>	36,436	\$ 24.80	\$ 78.71	4.34	\$ —

For the years ended December 31, 2022 and December 31, 2021, the Company recognized stock-based compensation expense of \$0 and \$2,666, respectively, related to stock options. This expense is included in payroll and related expenses in the accompanying consolidated statements of operations.

As of December 31, 2022, there was no unrecognized compensation costs related to non-vested stock options and all options have been expensed. 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, 2022 was \$1.28 per share.

**Restricted Stock Units**

On March 22, 2019, a total of 15,703 of restricted stock units were granted to Mr. Galvin, Mr. Armstrong, Mr. Shetty, six employees and one consultant of the Company, under the Company's stock-based compensation plan, at the fair value of \$54.00 per share, which represents the closing price of the Company's common stock on February 26, 2019. Restricted stock units granted to Mr. Galvin, Mr. Armstrong, Mr. Shetty, and an aggregate of six employees and one consultant of 6,139, 772, 5,729 and an aggregate of 3,063, respectively, vest in installments over either a one-year, two-year, three-year and four-year period and will fully vest by the end of December 31, 2022. The fair value of these units upon issuance amounted to \$847,957.

On January 15, 2019 and February 26, 2019, a total of 526 of restricted stock units were granted to two of the Company's non-employee directors, under the Incentive Plan, at the calculated fair value of \$58.80 and \$55.20 per share, respectively, which represents the average closing price of the Company's common stock for the ten trading days immediately preceding and including the grant date. The restricted stock units granted on January 15, 2019 will vest on January 15, 2020, subject to each individual's continued service as a director of the Company through such date, and are payable six months after the termination of the director from the Company's Board of Directors or death or disability. The restricted stock units granted on February 26, 2019 vest on the earlier of (A) the first anniversary of the date of the grant or (B) the date of the 2019 annual meeting of the Company's stockholders subject to each individual's continued service as a director of the Company through such date, and are payable six months after the termination of the director from the Board of Directors or death or disability.

**19. Share-based Compensation (continued)**

Effective June 5, 2019, a total of 9,189 of restricted stock units were granted to the Company's non-employee directors, under the Company's stock-based compensation plan, at the calculated fair value of \$16.40 per share, which represents the average closing price of the Company's common stock for the ten trading days immediately preceding and including the grant date. Restricted stock units granted to directors on June 5, 2019 vest on the earlier of (A) the first anniversary of the date of the grant or (B) the date of the annual meeting of the Company's stockholders that occurs in the year immediately following the date of the grant; and are payable six months after the termination of the director from the Board or death or disability.

On April 14, 2020, a total of 35,331 of restricted stock units were granted to Mr. Galvin, Mr. Armstrong, Mr. Sheeran, five employees and two consultants of the Company, under the Company's stock-based compensation plan, at the fair value of \$4.76 per share, which represents the closing price of the Company's common stock on April 14, 2020. Restricted stock units granted to Mr. Galvin, Mr. Armstrong, Mr. Sheeran, and an aggregate of five employees and one consultant of 11,331, 1,000, 3,000 and an aggregate of 8,000, respectively, will vest in full on the first anniversary of the vesting commencement date and one consultant received 12,000 restricted stock units that vested immediately on April 15, 2020. The fair value of these units upon issuance amounted to \$168,176.

On April 14, 2020, a total of 12,000 of restricted stock units were granted to three of the Company's non-employee directors, under the Incentive Plan, at the calculated fair value of \$4.76 per share, which represents the closing price of the Company's common stock on April 14, 2020. The restricted stock units granted on April 14, 2020 will fully vest on April 14, 2021, subject to each individual's continued service as a director of the Company through such date, and are payable six months after the termination of the director from the Company's Board of Directors or death or disability. The fair value of these units upon issuance amounted to \$57,120.

On September 23, 2020, a total of 425,000 of restricted stock units were granted to Mr. Armstrong, Mr. Sheeran, seven employees and one consultant of the Company, under the Company's stock-based compensation plan, at the fair value of \$1.81 per share, which represents the closing price of the Company's common stock on September 23, 2020. Restricted stock units granted to Mr. Armstrong, Mr. Sheeran, and an aggregate of seven employees and one consultant of 50,000, 75,000 and an aggregate of 300,000, respectively, and 1/3 will vest on September 23, 2020, 1/3 on the one year anniversary of the grant date and 1/3 on the two year anniversary of the grant date. The fair value of these units upon issuance amounted to \$769,250.

On November 11, 2020, a total of 46,826 of restricted stock units were granted to three of the Company's non-employee directors, under the Incentive Plan, at the calculated fair value of \$2.39 per share, which represents the closing price of the Company's common stock on November 11, 2020. The restricted stock units granted on November 11, 2020 will vest 1/2 on November 11, 2020 and 1/2 on the one year anniversary of the grant date, subject to each individual's continued service as a director of the Company through such date, and are payable six months after the termination of the director from the Company's Board of Directors or death or disability. The fair value of these units upon issuance amounted to \$111,920.

On December 9, 2020, a total of 372,000 of restricted stock units were granted to Mr. Galvin, under the Company's stock-based compensation plan, at the fair value of \$3.28 per share, which represents the closing price of the Company's common stock on December 9, 2020. Restricted stock units granted to Mr. Galvin will vest 1/2 on December 9, 2020 and 1/2 on the first year anniversary of the grant date. The fair value of these units upon issuance amounted to \$1,220,160.

**19. Share-based Compensation (continued)**

On October 1, 2021, a total of 1,214,500 of restricted stock units were granted to Mr. Galvin, Mr. Rogers, Mr. Armstrong, Mr. Sheeran, thirteen employees and three consultant of the Company, under the Company's stock-based compensation plan, at the fair value of \$3.38 per share, which represents the closing price of the Company's common stock on October 1, 2021. Restricted stock units granted to Mr. Galvin, Mr. Armstrong, Mr. Sheeran, and an aggregate of thirteen employees and two consultant of 350,000, 40,000, 100,000 and an aggregate of 475,000, respectively, vesting quarterly over two years from the anniversary of the grant date. Restricted stock units granted to Mr. Rogers and one consultant of 37,500 and 12,000 vest upon issuance date. Restricted stock units granted to Mr. Rogers of 200,000 vest monthly over a two-year period. The fair value of these units upon issuance amounted to \$4,105,010.

On October 1, 2021, a total of 59,170 of restricted stock units were granted to five of the Company's non-employee directors, under the Company's stock-based compensation plan, at the fair value of \$3.38 per share, which represents the closing price of the Company's common stock on October 1, 2021. The restricted stock units granted October 1, 2021 vesting monthly over one year and, if earlier, in full on the date of the Company's 2022 Annual Meeting of Stockholders.

On December 7, 2021, a total of 62,500 of restricted stock units were granted to five of the Company's non-employee advisory directors, under the Company's stock-based compensation plan, at the fair value of \$2.36 per share, which represents the closing price of the Company's common stock on December 7, 2021. The restricted stock units granted vest in equal monthly installments over one year period.

During 2022, a total of 1,045,000 of restricted stock units were granted to Mr. Galvin and seven employees of the Company, under the Company's stock-based compensation plan, at the fair value ranging from \$1.30 to \$2.24 per share, which represents the closing price of the Company's common stock at the date of grant. The restricted stock units granted vest quarterly over two years from the anniversary of the grant date. The fair value of these units upon issuance amounted to \$1,843,000.

On November 18, 2022, a total of 80,000 of restricted stock units were granted to four of the Company's non-employee directors, under the Company's stock-based compensation plan, at the fair value of \$1.30 per share, which represents the closing price of the Company's common stock on November 18, 2022. The restricted stock units granted vest in equal quarterly installments over a two-year period.

For the year ended December 31, 2022 and 2021, the Company recognized stock-based compensation of \$2,798,844 and \$1,644,725 related to restricted stock units. This expense is included in the payroll and related expenses and general and administrative expenses in the accompanying consolidated statement of operations. As of December 31, 2022, there was a total of \$1,686,599 in unrecognized compensation costs related to non-vested restricted stock units.

The following table summarized restricted stock unit activities during the year ended December 31, 2022:

	<b>Number of Shares</b>
Non-vested balance at January 1, 2022	1,274,137
Granted	1,125,000
Vested	(890,122)
Forfeited/Expired	(125,118)
Non-vested balance at December 31, 2022	<u>1,383,897</u>

**20. Commitments and Contingencies*****Legal Proceedings***

The Company is subject to certain claims and lawsuits arising in the normal course of business. The Company assesses liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. Where it is probable that the Company will incur a loss and the amount of the loss can be reasonably estimated, the Company records a liability in our consolidated financial statements. These legal accruals may be increased or decreased to reflect any relevant developments on a quarterly basis. Where a loss is not probable or the amount of the loss is not estimable, the Company does not record an accrual, consistent with applicable accounting guidance. Based on information currently available, advice of counsel, and available insurance coverage, the Company believes that the established accruals are adequate and the liabilities arising from the legal proceedings will not have a material adverse effect on the consolidated financial condition. However, that in light of the inherent uncertainty in legal proceedings there can be no assurance that the ultimate resolution of a matter will not exceed established accruals. As a result, the outcome of a particular matter or a combination of matters may be material to the results of operations for a particular period, depending upon the size of the loss or the income for that particular period.

1.) **Pizzarotti Litigation** - On or about August 10, 2018 Pizzarotti, LLC filed a complaint against the Company and Mahesh Shetty, the Company's former President and CFO, and others, seeking unspecified damages for an alleged breach of contract by the Company and another entity named Phipps & Co. ("Phipps"). The lawsuit was filed as Pizzarotti, LLC. v. Phipps & Co., et al., Index No. 653996/2018 and commenced in the Supreme Court of the State of New York for the County of New York. On or about April 1, 2019, Phipps filed cross-claims against the Company and Mr. Shetty asserting claims for indemnification, contribution, fraud, negligence, negligent misrepresentation, and breach of contract. SG Blocks has likewise cross claimed against Phipps for indemnification and contribution, claiming that any damages to the Plaintiff were the result of the acts or omissions of Phipps and its principals.

Pizzarotti's suit arose from a contract dated April 3, 2018 that it executed with Phipps whereby Pizzarotti, a construction manager, engaged Phipps to perform stone procuring and tile work at a construction project located at 161 Maiden Lane, New York 10038. Pizzarotti's claims against the Company arise from a purported assignment agreement dated August 10, 2018, whereby Pizzarotti claims that the Company agreed to assume certain obligations of Phipps under a certain trade contract between Pizzarotti and Phipps & Co. Phipps' claims against the Company arise from a purported Assignment Agreement, dated as of May 30, 2018, between Pizzarotti, Phipps and the Company (the "Assignment Agreement"), pursuant to which, it is alleged, that the Company agreed to provide a letter of credit in connection with the sub-contracted work to be provided by Phipps to Pizzarotti.

The Company believes that the Assignment Agreement was void for lack of consideration and moved to dismiss the case on those and other grounds. On June 17, 2020, the New York Supreme Court entered an order dismissing certain claims against the Company brought by cross claimant Phipps & Co. Specifically, the court dismissed Phipps' claims for indemnification, contribution, fraud, negligence and negligent misrepresentation. The court did not dismiss Phipps' claim for breach of the Assignment Agreement. The issue of the validity of the Assignment Agreement, and the Company's defenses to the claims brought by the plaintiff Pizzarotti, and cross claimant Phipps, are being litigated. The Company maintains that the Assignment Agreement, to the extent valid and enforceable, was properly terminated and/or there are no damages, and, consequently, that the claims brought against the Company are without merit. The Company intends to continue to vigorously defend the litigation. The parties have engaged in written discovery but no depositions have been conducted as of yet. By motion dated February 24, 2021, Pizzarotti moved to stay the entire action pending the outcome of a separate litigation captioned *Pizzarotti, LLC v. FPG Maiden Lane, LLC et al.*, Index No. 651697/2019, involving some of the same parties (but excluding the Company). Phipps cross moved to consolidate the two actions. The Company opposed both motions. On April 26, 2021, the court denied both motions and directed the parties to meet and confer concerning the scheduling of depositions. On May 10, 2021, the parties jointly filed with the court a proposed order providing the completion of depositions of all parties and nonparties by September 30, 2021. The court has not entered the proposed discovery order and no formal action has been taken by the plaintiff Pizzarotti nor the defendant-cross claimant Phipps since the proposed order was submitted. There are no scheduled hearings or conferences before the court at this time.

Litigation is subject to many uncertainties, and the outcome of this action is not predicted with assurance. The Company is currently unable to predict the possible loss or range of loss, if any, associated with the resolution of this litigation, and, accordingly, the Company has made no provision related to this matter in the consolidated financial statements.

**20. Commitments and Contingencies (continued)****Vendor Litigation****1.) SG Blocks, Inc. v HOLA Community Partners, et. al.**

On April 13, 2020, Plaintiff SG Blocks, Inc. (“SG Blocks” or the “Company”) filed a Complaint against HOLA Community Partners (“HCP”), Heart of Los Angeles Youth, Inc. (“HOLA”) (HCP and HOLA are collectively referred to as the “HOLA Defendants”), and the City of Los Angeles (“City”) in the United States District Court for the Central District of California, Case No. 2:20-cv-03432-ODW (“HOLA Action”). The Company asserted seven claims against HOLA Defendants arising out of and related to the HOLA Project, to wit, for: (1) breach of contract; (2) conversion; (3) default and judicial foreclosure under the Agreement as a security agreement; (4) misappropriation of trade secrets under California Civil Code section 3426; (5) misappropriation of trade secrets under 18 U.S.C. § 1836; and (6) intentional interference with contractual relations. On April 20, 2020, HOLA filed a separate action against the Company in the Los Angeles Superior Court arising out of the HOLA Project, asserting claims of (1) negligence; (2) strict products liability; (3) strict products liability, (4) breach of contract; (5) breach of express warranty; (6) violation of Business and Professions Code § 7031(b); and (7) violation of California’s unfair competition law, Business and Professions Code section 17200 (“UCL”) (“HOLA State Court Action”). The HOLA State Court Action was removed to the Central District of California and consolidated with the HOLA Action.

On January 22, 2021, the Company filed a Third-Party Complaint in the HOLA Action against Third-Party Defendants Teton Buildings, LLC, Avesi Construction, LLC, and American Home Building and Masonry Corp (“AHB”) for indemnity and contribution with respect to HOLA’s claims. The Company has also notified its general liability carrier Sompco International regarding coverage concerning HOLA’s claims. On February 25, 2021, the Court entered an order dismissing the Company’s claims for (1) breach of contract; (2) conversion; (3) default and judicial foreclosure under the Agreement as a security agreement; (4) misappropriation of trade secrets under California Civil Code section 3426; (5) misappropriation of trade secrets under 18 U.S.C. § 1836; but denied dismissal of the Company’s claims for intentional interference with contractual relations. The Court also denied the Company’s motion to dismiss HOLA’s claims.

On March 12, 2021, the HOLA Defendants filed an answer to the Company’s complaint against it denying liability and asserting affirmative defenses. On March 12, 2021, the Company filed an answer to the HOLA Defendants’ First Amended Consolidated Complaint against it, denying liability and asserting affirmative defenses.

On April 26, 2021, the Company and the HOLA Defendants filed a Joint Stipulation to Dismiss HOLA Community Partners’ Sixth Claim for Relief (violation of California Business and Professions Code §7031(b)), with prejudice, pursuant to Fed. R. Civ. P. 41(a)(1)(A)(ii).

On July 23, 2021, the Company filed a First Amended Third-Party Complaint adding the following additional third party defendants seeking, inter alia, contractual indemnity, equitable indemnity; and contribution: American Home Building and Masonry Corp. (“American Home”), Anderson Air Conditioning, L.P. (“Anderson”), Broadway Glass and Mirror, Inc. (“Broadway”), Marne Construction, Inc. (“Marne”), The McIntyre Company (“McIntyre”), Dowell & Bradley Construction, Inc. dba J R Construction (“JR Construction”) Junior Steel Co. (“Junior Steel”) Saddleback Roofing, Inc. (“Saddleback”) Schindler Elevator Corporation (“Schindler”) U.S. Smoke & Fire Corp. (“U.S. Smoke”) and FirstForm, Inc. (“FirstForm”) (collectively the “Additional Third Party Defendants”).

On September 2, 2021, Schindler Elevator Corp. filed its answer to the First Amended Third-Party Complaint. On September 3, 2021, Junior Steel Co. filed its answer to the First Amended Third-Party Complaint. On September 7, 2021, Anderson Air Conditioning, L.P. filed its answer to the First Amended Third-Party Complaint. On October 6, 2021, the McIntyre Group filed its answer to the First Amended Third-Party Complaint.

On February 7, 2022, the Company filed a request for entry of a Clerk’s default against the following defendants: American Home Building and Masonry Corp., Avesi Construction, Marne Construction, Inc., FirstForm, Inc., Dowell & Bradley Construction, Inc, Saddleback Roofing, Inc., and US Smoke and Fire Corp. On February 9, 2022, the court entered a clerk’s default pursuant to Federal Rule 55 against the following defendants: American Home Building and Masonry Corp. Avesi Construction, Dowell & Bradley Construction, Inc., Saddleback Roofing Inc. and US smoke and Fire Corp. The parties that have answered and appeared in the case are currently engaged in discovery. The cut-off for fact discovery has been extended to September 12, 2022, and a trial has been set for January 31, 2023.

**20. Commitments and Contingencies (continued)**

On or about December 31, 2022, the parties who appeared in the HOLA Action executed a Settlement Agreement and Release. On February 28, 2023 the court “so ordered” the parties’ stipulation dismissing all causes of action against the parties to the Settlement Agreement and Release.

**2.) Teton Buildings, LLC**

(i) On January 1, 2019, SG Blocks commenced an action against Teton Buildings, LLC (“Teton”) in Harris County, Texas (“Teton Texas Action”) to recover approximately \$2,100,000 arising from defendant’s breach of the operative contract related to Heart of Los Angeles construction project in Los Angeles (the “HOLA Project”) entered into on or about June 2, 2017. The Petition brought claims of breach of contract, negligence, and breach of express warranty. In or about February 2022 SG Blocks dismissed without prejudice the Teton Texas Action.

(ii) On or about September 12, 2018, the Company entered into a Firm Price Quote and Purchase (the “GVL Contract”) with Teton to govern the manufacture and provision of 23 shipping containers and modular units (the “Teton GVL Modules”) for the Four Oaks Gather GVL project in South Carolina (the “GVL Project.”). The Company maintains that Teton breached the GVL Contract by (i) failing to timely deliver the Teton GVL Modules, (ii) delivering Teton GVL Modules that were defective in their design and manufacture, (iii) otherwise failed to meet South Carolina Building Code regulations and (iv) breached applicable warranties. As a result of the breach and defects in performance, design and manufacture by Teton, Company asserts that it has sustained \$761,401.66 in actual and consequential damages, excluding attorney’s fees. On October 16, 2019, Teton filed for Chapter 11 in the United States Bankruptcy Court for Southern District of Texas, Houston Division styled In re: Teton Buildings, LLC and bearing the case number 19-35811. On February 11, 2020, the Company filed a proof of claim against Teton in the amount of \$2,861,401.66 arising from the HOLA Project and the GVL Contract.

On or about March 16, 2020, the Bankruptcy Court converted Teton’s Chapter 11 reorganization case to a Chapter 7 liquidation case. On July 18, 2019, Ronald Sommers, the Chapter 7 Trustee, filed a Report of No Distribution stating that there is no property available for distribution to creditors. On August 20, 2019, the Bankruptcy Court closed the Teton bankruptcy case. As such, there is no prospect of any recovery against Teton.

On January 22, 2021, the Company filed a third-party complaint against Teton in the United States District Court for the Central District of California, Case No. 2:20-cv-03432 in the HOLA Action (described above), seeking to determine Teton’s liability in its capacity as a bankruptcy debtor in order to collect any damages payable from Teton’s liability insurance carrier or carriers. On July 23, 2021, the Company filed a First Amended Third-Party Complaint against Teton and other named third party defendants (see #2 below). Teton has been served with the First Amended Third-Party Complaint and on or about February 11, 2022, Teton filed an answer and affirmative defenses.

On or about December 31, 2022, the parties who appeared in the HOLA Action, including Teton by and through its insurance carrier, executed a Settlement Agreement and Release. On February 28, 2023 the court “so ordered” the parties’ stipulation dismissing all causes of action against the parties to the Settlement Agreement and Release.

**20. Commitments and Contingencies (continued)****3.) SG Blocks, Inc. v. EDI International, PC-**

On June 21, 2019, SG Blocks filed a lawsuit against EDI International, PC, a New Jersey corporation, in the Superior Court of the State of California, County of Los Angeles, Central District, in connection with the parties' consulting agreement, dated June 29, 2016, pursuant to which EDI International, PC, was to provide, for a fee, certain architectural and design services for the HOLA Project. SG Blocks, Inc. claims that EDI International, PC, tortiously interfered with SG Blocks, Inc.'s economic relationship with HOLA Community Partners and Heart of Los Angeles Youth, Inc. EDI International, PC, filed a cross-complaint for alleged unpaid fees and tortious interference with EDI International, PC's contractual relationship with HOLA Community Partners and Heart of Los Angeles Youth, Inc. EDI International, PC's cross-complaint seeks in excess of \$30,428.71 in damages.

On July 8, 2020, SG Blocks, Inc. added PVE LLC as a defendant in the lawsuit, claiming PVE LLC is liable to the same extent as EDI International, PC. The case is currently in the discovery stage and a trial date has been set for May 2, 2022.

On May 14, 2021, EDI accepted the Company's Statutory Offer of Compromise, pursuant to California Code of Civil Procedures §998, to settle EDI's cross-claims. On July 26, 2021, the Company and EDI entered into a certain General Release agreement whereby in exchange for payment by the Company in the amount of \$67,125.83 EDI released SG Blocks from all liabilities and damages related to EDI's cross-claims. The Company continues to prosecute its claim against EDI for tortious interference with the Company's economic relationship with HOLA Community Partners and Heart of Los Angeles Youth, Inc. The discovery period has concluded and a trial date has been set for October 2023.

Litigation is subject to many uncertainties, and the outcome of this action is not predicted with assurance. The Company is currently unable to predict the outcome or possible recovery or loss or range of loss, if any, associated with the resolution of this litigation, and, accordingly, the Company has made no provision related to this matter in the consolidated financial statements.

**Other Litigation****1.) SG Blocks, Inc. v. Osang Healthcare Company, Ltd.**

On April 14, 2021, the Company commenced an action against Osang Healthcare Company, Ltd. ("Osang") in the United States District Court, Eastern District of New York, Case No. 21-01990 ("Osang Action"). The Company has asserted that Osang materially breached a certain Managed Supply Agreement ("MSA") entered into between the parties on October 12, 2020, pursuant to which the Company received on consignment two million (2,000,000) units of Osang's "Genefinder Plus RealAmp Covid-19 PCR Test" (the "Covid-19 Test") for domestic and international distribution. The Company has also asserted that Osang breached the covenant of good faith and fair dealing, fraudulently induced it to enter into the MSA, and violated §349 of the New York General Business Law's prohibition of deceptive business practices.

On June 18, 2021, Osang served a motion to dismiss the Osang Action pursuant to Rule 12(b)(6) of the Federal Rules of Civil Procedure. On July 30, 2021, the Company served its opposition to the motion to dismiss. On September 22, 2022, the court entered an order granting in part and denying in part Osang's motion to dismiss. The court denied that part of Osang's motion that sought dismissal of the Company's causes of action for breach of contract (but denied recovery of lost profits) and fraud, but dismissed the Company's causes of action for breach of implied covenant of good faith and fair dealing, indemnification, accounting, and violation of the New York Unlawful and Deceptive Trade Practices Act (GBL §349).

A status conference was held on November 16, 2022 at which time the Court entered a scheduling order for the conducting of discovery. Discovery is ongoing. A settlement conference was held by the Court on March 14, 2023.

Litigation is subject to many uncertainties, and the outcome of this action is not predicted with assurance. The Company is currently unable to predict the outcome or possible recovery, if any, associated with the resolution of this litigation, and, accordingly, the Company has made no provision related to this matter in the consolidated financial statements.

**20. Commitments and Contingencies (continued)****Commitments**

In April 2020, the Company entered into an amendment to its employment agreement, dated January 1, 2017, with Paul Gavin (the "Amendment"), to extend the term of employment to December 31, 2021, provide for an annual base salary of \$400,000, provide for a performance bonus structure for a bonus of up to 50% of base salary upon the Company's achievement of \$2,000,000 EBITDA and additional performance bonus payments for the achievement of EBITDA in excess of \$2,000,000 based on a percentage of the incremental increase in EBITDA (ranging from 10% of the incremental increase in EBITDA if the Company achieves over \$2,000,000 and up to \$7,000,000 in EBITDA, 8% of the incremental increase in EBITDA if the Company achieves over \$7,000,000 and up to \$12,000,000 in EBITDA and 3% of the incremental increase in EBITDA over \$12,000,000), provide for a profits-based additional bonus of up to \$250,000 in certain limited circumstances, and provide for one (1) year severance, plus a pro-rated amount of any unpaid bonus earned by him during the year as verified by the Company's principal financial officer, if Mr. Galvin is terminated without cause. At the Company's option, up to fifty (50%) percent of the EBITDA performance bonuses may be paid in restricted stock units if then available for grant under the Company's Stock Incentive Plan. All other terms of the employment agreement remain in full force and effect.

On July 5, 2022, the Company entered into an amendment to its employment agreement, dated January 1, 2017, as amended, with Paul Galvin, to provide for the payment of an annual base salary of \$500,000. All other terms of the employment agreement remain in full force and effect.

**21. Subsequent Events**

During January 2023, the Short-Term Note and Second Short-Term Note were extended with a current maturity date of February 1, 2024.

On February 7, 2023, the Company closed a private placement offering (the "Offering") of One Million One Hundred Thousand Dollars (\$1,100,000) in principal amount of the Company's 8% convertible debenture (the "Debenture") and a warrant (the "Warrant") to purchase up to Five Hundred Thousand (500,000) shares of the Company's common stock, to Peak One Opportunity Fund, L.P. ("Peak One"). Pursuant to a Securities Purchase Agreement, dated February 7, 2023 (the "Purchase Agreement"), the Debenture was sold to Peak One for a purchase price of \$1,000,000, representing an original issue discount of ten percent (10%).

In connection with the offering the Company paid \$15,000 as a non-accountable fee to Peak One to cover its accounting fees, legal fees and other transactional costs incurred in connection with the transactions contemplated by the Purchase Agreement and issued 50,000 shares of its restricted common stock (the "Commitment Shares") to Peak One Investments, LLC ("Investments"), the general partner of Peak One.

The Debenture matures twelve months from its date of issuance and bear interest at a rate of 8% per annum payable on the maturity date. The Debenture is convertible, at the option of the holder, at any time, into such number of shares of common stock of the Company equal to the principal amount of the Debenture plus all accrued and unpaid interest at a conversion price equal to \$1.50 (the "Conversion Price"), subject to adjustment for any stock splits, stock dividends, recapitalizations and similar events and in the event the Company, at any time while the Debenture is outstanding, issues, sells or grants any option to purchase, or sells or grants any right to reprice, or otherwise disposes of, or issues common stock or other securities convertible into, exercisable for, or otherwise entitle any person the right to acquire, shares of common stock, other than with respect to an Exempt Issuance (as defined in the Debenture), at an effective price per share that is lower than the then Conversion Price. In the event of any such anti-dilutive event, the Conversion Price will be reduced at the option of the holder to such lower effective price of the dilutive event, subject to a floor price of \$0.40 per share, unless and until the Company obtains shareholder approval for any issuance below such floor price.

On March 30, 2023, an affiliate of SG DevCorp. entered into an agreement to secure financing to pay off the Short-Term Note and Second Short-Term Note by issuing a new \$5,000,000 note to be secured by the Lago Vista property and SG DevCorp.'s McLean site in Durant, Oklahoma. As of the date of this report, the financing to pay off the Notes had not closed.



**DESCRIPTION OF SECURITIES  
REGISTERED PURSUANT TO SECTION 12 OF THE  
SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

Safe & Green Holdings Corp. (the “Company,” “we,” “us,” and “our”) had one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), which is our common stock, par value \$0.01 per share (the “common stock”).

**General**

The following is a description of the material terms of our common stock. This is a summary only and does not purport to be complete. It is subject to and qualified in its entirety by reference to our Amended and Restated Certificate of Incorporation, as amended (the “Certificate of Incorporation”), and our Amended and Restated Bylaws (the “Bylaws”). We encourage you to read our Certificate of Incorporation, our Bylaws and the applicable provisions of the Delaware General Corporation Law (the “DGCL”), for additional information.

**Description of Common Stock**

*Authorized Shares of Common Stock.* We currently have authorized 25,000,000 shares of common stock.

*Voting.* Holders of our common stock are entitled to one vote for each share held of record on each matter submitted to a vote of stockholders, including the election of directors, and do not have cumulative voting rights. Our directors are elected by a plurality of the votes cast by the stockholders entitled to vote at our annual meeting of stockholders.

*Dividends.* Subject to the prior rights of any class or series of preferred stock which may from time to time be outstanding, if any, holders of our common stock are entitled to receive dividends ratably when, as and if declared by our Board of Directors, out of funds legally available for that purpose. We have not paid any dividends on our common stock and none are contemplated in the foreseeable future. We anticipate that all earnings that may be generated from our operations will be used to finance our growth.

*Liquidation.* Upon our liquidation, dissolution or winding up, holders of our common stock are entitled to share ratably in all assets remaining after payment of liabilities and payment of accrued dividends and liquidation preferences on the preferred stock, if any.

*Rights and Preferences.* The holders of our common stock have no preemptive, subscription or redemption rights pertaining to our common stock and have no rights to convert their common stock into any other securities. The absence of preemptive rights could result in a dilution of the interest of the existing stockholders should additional shares of our common stock be issued. In addition, the rights of holders of our common stock are subject to, and may be adversely affected by, the rights of holders of shares of any series of preferred stock that we may designate and issue in the future. See “Risk Factors” section in the Form 10-K for a further description of risks related to our common stock.

*Fully Paid and Nonassessable.* All of our issued and outstanding shares of common stock are fully paid and nonassessable.

---

## Anti-Takeover Effects of Delaware Law and Our Certificate of Incorporation and Bylaws

Certain provisions of Delaware law, our Certificate of Incorporation and our Bylaws contain provisions that could have the effect of delaying, deferring or discouraging another party from acquiring control of us. These provisions, which are summarized below, are expected to discourage certain types of coercive takeover practices and inadequate takeover bids. These provisions are also designed, in part, to encourage persons seeking to acquire control of us to first negotiate with our Board of Directors. We believe that the benefits of increased protection of our potential ability to negotiate with an unfriendly or unsolicited acquirer outweigh the disadvantages of discouraging such proposals, including proposals that are priced above the then-current market value of our common stock, because, among other reasons, such negotiation could result in an improvement of the terms of such proposals.

### *Certificate of Incorporation and Bylaws*

Certain provisions set forth in our Certificate of Incorporation, our Bylaws and in Delaware law, which are summarized below, may be deemed to have an anti-takeover effect and may delay, deter or prevent a tender offer or takeover attempt that a stockholder might consider to be in its best interests, including attempts that might result in a premium being paid over the market price for the shares held by stockholders.

*Proposals of business and nominations.* Our Bylaws generally regulate proposals of business and nominations for election of directors by stockholders. In general, Section 3.16 requires stockholders intending to submit proposals or nominations at a stockholders meeting to provide the Company with advance notice thereof, including information regarding the stockholder proposing the business or nomination as well as information regarding the proposed business or nominee. Section 3.16 provides a time period during which business or nominations must be provided to the Company that will create a predictable window for the submission of such notices, eliminating the risk that the Company finds a meeting will be contested after printing its proxy materials for an uncontested election and providing the Company with a reasonable opportunity to respond to nominations and proposals by stockholders.

*Blank Check Preferred Stock.* Our Board of Directors has the right to issue preferred stock in one or more series and to determine the designations, rights, preferences of such preferred stock without stockholder approval.

*Board Vacancies.* Our Bylaws generally provide that only the board of directors (and not the stockholders) may fill vacancies and newly created directorships.

While the foregoing provisions of our Certificate of Incorporation, Bylaws and Delaware law may have an anti-takeover effect, these provisions are intended to enhance the likelihood of continuity and stability in the composition of the Board of Directors and in the policies formulated by the Board of Directors and to discourage certain types of transactions that may involve an actual or threatened change of control. In that regard, these provisions are designed to reduce our vulnerability to an unsolicited acquisition proposal. The provisions also are intended to discourage certain tactics that may be used in proxy fights. However, such provisions could have the effect of discouraging others from making tender offers for our shares and, as a consequence, they also may inhibit fluctuations in the market price of our common stock that could result from actual or rumored takeover attempts. Such provisions also may have the effect of preventing changes in our management.

---

### *Delaware Anti-Takeover Statute*

We are subject to the provisions of Section 203 of the DGCL (“Section 203”) regulating corporate takeovers. In general, Section 203 prohibits a publicly-held Delaware corporation from engaging, under certain circumstances, in a business combination with an interested stockholder for a period of three years following the date the person became an interested stockholder unless:

- prior to the date of the transaction, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;
- upon completion of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding, the outstanding voting stock owned by the interested stockholder, (1) shares owned by persons who are directors and also officers and (2) shares owned by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- at or subsequent to the date of the transaction, the business combination is approved by the board of directors of the corporation and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock which is not owned by the interested stockholder.

Generally, a business combination includes a merger, asset, stock sale or other transaction resulting in a financial benefit to the interested stockholder. An interested stockholder is a person who, together with affiliates and associates, owns or, within three years prior to the determination of interested stockholder status, did own 15% or more of a corporation’s outstanding voting stock. We expect the existence of Section 203 to have an anti-takeover effect with respect to transactions our Board of Directors does not approve in advance. We also anticipate that Section 203 may discourage business combinations or other attempts that might result in a premium over the market price for the shares of common stock held by our stockholders.

### **Listing of Common Stock on the Nasdaq Capital Market**

Our common stock is currently listed on the Nasdaq Capital Market under the trading symbol “SGBX.”

### **Transfer Agent and Registrar**

The transfer agent and registrar for our common stock is American Stock Transfer and Trust Company, LLC. The transfer agent’s principal business address is 6201 1<sup>st</sup> Avenue, Brooklyn, New York 11219, and its telephone number is (800) 937-5449.

## Subsidiaries of the Registrant

Subsidiary	Jurisdiction of Incorporation or Organization
SG Building Blocks, Inc.	Delaware
SG Residential, Inc.	Delaware
SG Echo, LLC	Delaware
Clarity Mobile Venture, LLC	Delaware
Safe and Green Development Corp.	Delaware
SG Environmental Solutions Corp.	Delaware

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the Registration Statements on Form S-8 ( File No. 333-259719, File No. 333-248571, File No. 333-225439 File No. 333-223950, File No. 333-201469), Form S-3 (File No. 333-226787 and File No. 333-228882) and Form S-1 (File No. 333-260996, File No. 333-237682 and File No. 333-235295) of Safe & Green Holdings Corp. of our report dated March 30, 2023, relating to the consolidated financial statements appearing in this Annual Report on Form 10-K of Safe & Green Holdings Corp. for the year ended December 31, 2022.

/s /Whitley Penn LLP

Dallas, Texas

March 30, 2023

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO RULE 13a-14 OR RULE 15d-14 OF THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED 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 Safe & Green Holdings Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer 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.

Date: March 30, 2023

/s/ Paul M. Galvin  
\_\_\_\_\_  
By: Name: Paul M. Galvin  
Title: Chairman and Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO RULE 13a-14 OR RULE 15d-14 OF THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE  
SARBANES-OXLEY ACT OF 2002**

I, Paul Galvin, certify that:

1. I have reviewed this Annual Report on Form 10-K of Safe & Green Holdings Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer 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.

Date: March 30, 2023

By:

/s/ Paul Galvin

Name: Paul Galvin

Title: Interim Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

**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 of Safe & Green Holdings Corp. (the "Company") on Form 10-K for the period ended December 31, 2022 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 Interim Chief Financial Officer of the Company, does 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, 2023

/s/ Paul M. Galvin

Name: Paul M. Galvin  
Title: Chairman, Chief Executive Officer and Interim  
Chief Financial Officer  
(Principal Executive Officer, Principal Financial  
Officer and Principal Accounting 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.