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

FORM 10-Q

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

For the quarterly period ended **June 30, 2016**

OR

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

For the transition period from ________________ to ________________

Commission file number: 000-22563

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

Delaware	**95-4463937**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
912 Bluff Road, Brentwood TN	**37027**
(Address of principal executive offices)	(Zip Code)

(646) 240-4235
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☐ No ☒

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

APPLICABLE ONLY TO REGISTRANTS INVOLVED IN BANKRUPTCY PROCEEDINGS
DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes ☒ No ☐

As of August 15, 2016, there were 491,365 shares of the registrant's common stock, $0.01 par value, outstanding.

EXPLANATORY NOTE

On October 15, 2015, SG Blocks, Inc. ("SGB") and its subsidiaries SG Building Blocks, Inc. ("SG Building") and Endaxi Infrastructure Group, Inc. (each a "Subsidiary," together, the "Subsidiaries" and together with SGB, the "Debtors"), filed voluntary petitions (the "Bankruptcy Petitions") for reorganization under Chapter 11 of the United States Bankruptcy Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"). The Debtors filed a motion with the Bankruptcy Court seeking joint administration of their Chapter 11 cases under the caption *In re SG Blocks, Inc. et al.* , Case No. 15-12790 (such proceeding, the "Bankruptcy Proceeding"). After filing such voluntary petitions the Debtors operated their businesses as "debtors-in-possession" under jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court until the Effective Date (as defined below). On February 29, 2016, the Debtors filed a Disclosure Statement (the "Disclosure Statement"), attaching a Plan of Reorganization (the "Plan"), along with a motion seeking approval of the Disclosure Statement by the Bankruptcy Court. On June 30, 2016 (the "Effective Date"), the Plan became effective and the Debtors emerged from bankruptcy.

On October 15, 2015, SGB, as borrower, and its subsidiaries, as guarantors, entered into a Debtor in Possession Credit Agreement (the "DIP Credit Agreement" and the loans thereunder, the "DIP Loan") with Hillair Capital Investments L.P. ("HCI"), and, as condition to the making of the DIP Loan, SGB and its subsidiaries entered into that Senior Security Agreement (the "DIP Security Agreement" and together with the DIP Credit Agreement and the other documents entered into in connection therewith, the "DIP Facility"), also dated as of October 15, 2015, with Hillair Capital Management LLC ("HCM") pursuant to which SGB and its subsidiaries granted HCM a first priority security interest in all of their respective assets for the benefit of HCI. The DIP Loan had a maximum principal amount of $600,000, bore interest at a rate of 12% and was due and payable upon the earlier to occur of April 15, 2016 or other dates specified in the DIP Credit Agreement, and required SGB to pay a collateral fee of $25,000. The DIP Loan became due on April 15, 2016 but was not repaid until the Effective Date as described below. The funds advanced under the DIP Facility were used by SGB to fund its operation during the Bankruptcy Proceeding, including payment of professional fees and expenses. On the Effective Date and in accordance with the Plan, the DIP Facility was repaid in full and the related DIP Credit Agreement was terminated.

On the Effective Date, and pursuant to the terms of the Plan, SGB entered into a Securities Purchase Agreement, dated June 30, 2016, (the "2016 SPA"), pursuant to which SGB sold for a subscription price of $2.0 million a 12% Original Issue Discount Senior Secured Convertible Debenture to HCI in the principal amount of $2.5 million, with a maturity date of June 30, 2018 (the "Exit Facility"). The Exit Facility is convertible at HCI's option at any time in whole or in part into shares of New Common Stock (as defined below) at a ratio of 1 share for every $1.25 of debt. Pursuant to that certain Subsidiary Guaranty Agreement, effective as of the Effective Date (the "Guarantee Agreement"), by SG Building in favor of HCI, SG Building unconditionally guaranteed (the "Guarantee") the obligations and indebtedness owed to HCI under the Exit Facility and the Guarantee is secured by a first-priority lien and security interest on all of the Guarantor's assets. The Exit Facility and SG Building's obligations under the Guarantee are secured by a first-priority lien and security interest on all of the Company's and SG Building's assets pursuant to that certain Security Agreement, dated as of the Effective Date, by and between the Company, SG Building and HCI (the "Security Agreement"). The Exit Facility will be used (i) to make a one hundred percent (100%) distribution for payment of unsecured claims in accordance with the Plan, (ii) to pay all costs of the administration of SGB's Bankruptcy, (iii) to pay all amounts owed under the DIP Facility and (iv) for general working capital purposes of SGB.

Prior to the Effective Date, SGB was authorized to issue 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. 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 Plan, SGB issued, in the aggregate, 491,365 shares of common stock, par value $0.01 (the "New Common Stock"), to the holders of Former Common Stock, representing 7.5% of SGB's issued and outstanding New Common Stock, after taking into account full exercise of the Management Options (as defined below) and conversion of the New Preferred Stock (as defined below) but prior to any conversion of the Exit Facility, as of the Effective Date. Further, under the Plan, upon the Effective Date certain members of SGB's management were entitled to receive options ("Management Options") to acquire an aggregate of 10%, or approximately 655,153 shares, of SGB's New Common Stock, on a fully diluted basis, assuming conversion of all of the New Preferred Stock but not the Exit Facility. SGB has not yet issued the Management Options, but expects to issue them sometime in the third quarter of the 2016 fiscal year.

Prior to the Effective Date, SGB was authorized to issue 5,000,000 shares of preferred stock, par value $0.01 (the "Former Preferred Stock") none of which was issued and outstanding prior to the Effective Date. 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 5,405,010 shares of preferred stock, par value $1.00 (the "New Preferred Stock"). As described in the Current Report on Form 8-K filed by the Company with the Securities and Exchange Commission ("SEC") on July 7, 2016 (the "July 8-K"), on the Effective Date and pursuant to the Plan, each Prepetition Loan Document (as defined in the July 8-K) was cancelled and the holders of debt thereunder received one share of the New Preferred Stock for each dollar owed by SGB thereunder. The New Preferred Stock is convertible into New Common Stock on a 1:1 basis and, if converted on the Effective Date, would convert into 82.5% of the New Common Stock issued and outstanding on the Effective Date, after taking into account shares of New Common Stock issued to holders of the Former Common Stock and the exercise of the Management Options but prior to any conversion of the Exit Facility. On the Effective Date, HCI received 5,405,010 shares of the Company's preferred stock which is convertible into shares of the Company's common stock. Since each share of the Company's preferred stock is able to vote on an as converted basis HCI effectively has a controlling interest in the Company of 51.17% on an as converted basis.

Also as described in the July 8-K, all general unsecured claims shall receive a distribution of one hundred percent of its allowed claim, plus post-petition interest calculated at the Federal judgment rate, payable as follows: fifty percent on the Effective Date, twenty five percent at the conclusion of the next full fiscal quarter after the Effective Date and the remaining twenty five percent, plus any post-petition interest owed, at the conclusion of the second full fiscal quarter after the Effective Date.

References herein to the pre-Effective Date common stock of SGB shall be deemed references to Former Common Stock and references herein to the post-Effective Date common stock of SGB shall be deemed references to New Common Stock.

SG BLOCKS, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2016

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SG BLOCKS, INC. AND SUBSIDIARIES
(Debtor-in-Possession December 31, 2015 through June 30, 2016)
CONDENSED CONSOLIDATED BALANCE SHEETS

	Successor June 30, 2016 (Unaudited)	*Predecessor December 31, 2015*
Assets		
Current assets:		
Cash and cash equivalents	$ 955,803	$ 466,997
Short-term investment	30,011	30,003
Accounts receivable, net	190,893	86,035
Prepaid expenses	28,589	-
Inventory	40,170	158,181
Total current assets	1,245,466	741,216
Equipment, net	5,600	7,229
Security deposit	1,200	3,900
Debt issuance costs, net	-	5,204
Goodwill	4,162,173	-
Intangible assets	3,879,000	-
Totals	$ 9,293,439	$ 757,549
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities:		
Accounts payable and accrued expenses	$ 275,480	$ 41,163
Accounts payable and accrued expenses – subject to compromise	33,713	120,325
Accrued interest, related party – subject to compromise	26,500	43,301
Accrued interest	-	173,147
Related party accounts payable and accrued expenses – subject to compromise	206,629	370,151
Related party notes payable – secured claim	73,500	73,500
Convertible debentures, net of discounts of $387,965	-	5,017,045
Billings in excess of costs and estimated earnings on uncompleted contracts	42,674	28,024
Deferred revenue	83,415	170,530
Conversion option liabilities	394,460	-
Total current liabilities	1,136,371	6,037,186
Debtor in possession financing	-	600,000
Convertible debentures, net of discounts of $939,611	1,560,389	-
Total liabilities	2,696,760	6,637,186
Commitments and Contingencies		
Stockholders' equity (deficit):		
Successor Preferred stock, $1.00 par value, 5,405,000 shares authorized; 5,405,010 issued and outstanding at June 30, 2016	5,405,010	-
Predecessor Preferred stock, $0.01 par value, 5,000,000 shares authorized; 0 issued and outstanding at December 31,2015	-	-
Successor Common stock, $0.01 par value, 300,000,000 shares authorized; 491,365 issued and outstanding at June 30, 2016	4,913	-
Predecessor Common stock, $0.01 par value, 300,000,000 shares authorized; 42,918,927 issued and outstanding at December 31, 2015	-	429,189
Successor additional paid-in capital	1,186,756	-
Predecessor additional paid-in capital	-	7,171,683
Accumulated deficit	-	(13,480,509)
Total stockholders' equity (deficit)	6,596,679	(5,879,637)
Totals	$ 9,293,439	$ 757,549

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

SG BLOCKS, INC. AND SUBSIDIARIES
(Debtor-in-Possession December 31, 2015 through June 30, 2016)
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Predecessor For the Three Months Ended June 30,		*Predecessor For the Six Months Ended June 30,*	
	2016 (Unaudited)	*2015 (Unaudited)*	*2016 (Unaudited)*	*2015 (Unaudited)*
Revenue:				
SG Block sales	$ 801,692	$ 1,448,835	$ 1,004,216	$ 1,825,348
Engineering services	26,785	-	52,007	25,526
Project management	-	20,000	-	20,000
	828,477	1,468,835	1,056,223	1,870,874
Cost of revenue:				
SG Block sales	664,848	1,096,175	816,076	1,433,330
Engineering services	21,897	-	43,898	22,768
Project management	-	5,000	-	5,000
	686,745	1,101,175	859,974	1,461,098
Gross profit	141,732	367,660	196,249	409,776
Operating expenses:				
Payroll and related expenses	200,318	280,155	367,254	591,378
General and administrative expenses	432,249	212,421	557,069	430,441
Marketing and business development expense	12,877	43,382	22,729	102,121
Pre-project expenses	22,233	6,547	26,411	15,276
Total	667,677	542,505	973,463	1,139,216
Operating loss	(525,945)	(174,845)	(777,214)	(729,440)
Other income (expense):				
Interest expense	(265,253)	(189,730)	(429,017)	(378,077)
Interest income	5	7	8	13
Change in fair value of warrant liabilities	-	129,491	-	515,382
Total	(265,248)	(60,232)	(429,009)	137,318
Net loss before reorganization items	(791,193)	(235,077)	(1,206,223)	(592,122)
Reorganization items:				
Legal and professional fees	(80,239)	-	(171,893)	-
Gain on reorganization	713,379	-	713,379	-
Total	633,140	-	541,486	-
Net loss	$ (158,053)	$ (235,077)	$ (664,737)	$ (592,122)
Net loss per share - basic and diluted:				
Basic and diluted	$ 0.00	$ (.01)	$ (.01)	$ (.01)
Weighted average shares outstanding:				
Basic and diluted	42,918,927	42,918,927	42,918,927	42,918,927

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

SG BLOCKS, INC. AND SUBSIDIARIES
(Debtor-in-Possession December 31, 2015 through June 30, 2016)
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)

For the Six Months Ended June 30, 2016 (Unaudited)	$0.01 Par Value Common Stock Shares	$0.01 Par Value Common Stock Amount	Preferred Stock	Additional Paid-in Capital	Accumulated Deficit	Total
Balance - December 31, 2015 (Predecessor)	42,918,927	$ 429,189	$ -	$ 7,171,683	$ (13,480,509)	$ (5,879,637)
Stock-based compensation	-	-	-	119,146	-	119,146
Net loss	-	-	-	-	(664,737)	(664,737)
Cancellation of Predecessor equity	(42,918,927)	(429,189)	-	(7,290,829)	14,145,246	6,425,228
Balance – June 30, 2016 (Predecessor)	-	-	-	-	-	-
Issuance of preferred stock	-	-	5,405,010	-	-	5,405,010
Issuance of Successor common stock	491,365	4,913	-	1,186,756	-	1,191,669
Balance – June 30, 2016 (Successor)	491,365	$ 4,913	$ 5,405,010	$ 1,186,756	$ -	$ 6,596,679

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

SG BLOCKS, INC. AND SUBSIDIARIES
(Debtor-in-Possession December 31, 2015 through June 30, 2016)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Six Months ended June 30,	*Predecessor 2016 (Unaudited)*	*Predecessor 2015 (Unaudited)*
Cash flows from operating activities:		
Net loss	$ (664,737)	$ (592,122)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	1,629	1,882
Amortization of debt issuance costs	5,204	10,408
Amortization of discount on convertible debentures	387,965	202,416
Interest income on short-term investment	(8)	(13)
Change in fair value of financial instruments	-	(515,382)
Interest expense on debtor in possession financing	35,848	-
Gain on reorganization	(713,379)	-
Stock-based compensation	119,146	96,922
Changes in operating assets and liabilities:		
Accounts receivable	(104,858)	21,252
Inventory	118,011	184,341
Prepaid expenses and other current assets	(28,589)	217
Accounts payable and accrued expenses	269,317	(66,959)
Accounts payable and accrued expenses – subject to compromise	(22,457)	-
Accrued interest, related party	-	4,065
Accrued interest	-	79,914
Related party accounts payable and accrued expenses	(163,522)	89,444
Billings in excess of costs and estimated earnings -on uncompleted contracts	14,650	10,579
Deferred revenue	(87,115)	(254,708)
Net cash used in operating activities	(832,895)	(727,744)
Cash flows provided by investing activities:		
Security deposit refund	2,700	12,000
Cash flows provided by financing activities:		
Proceeds from issuance of convertible debentures	1,319,001	-
Net increase (decrease) in cash and cash equivalents	488,806	(715,744)
Cash and cash equivalents - beginning of period	466,997	884,188
Cash and cash equivalents - end of period	$ 955,803	$ 168,444
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ -	$ 79,914
Supplemental disclosure of non-cash financing activities:		
Conversion of debtor in possession financing to convertible debentures	$ 600,000	-

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

SG BLOCKS, INC. AND SUBSIDIARIES
(Debtor-in-Possession December 31, 2015 through June 30, 2016)
Notes to Condensed Consolidated Financial Statements
For the Six Months Ended June 30, 2016 and 2015 (Unaudited)

1. Description of Business

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

The Company is a provider of code engineered cargo shipping containers that it modifies and delivers to meet the growing demand for safe and green for commercial, industrial and residential building construction. Rather than consuming new steel and lumber, it capitalizes on the structural engineering and design parameters a shipping container must meet and repurposes them for use in building. It offers the construction industry a safer, greener, faster, longer lasting and more economical alternative to conventional construction methods.

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

During 2011, the Company formed SG Blocks Sistema De Constucao Brasileiro LTDA. ("SG Brazil"), a wholly owned subsidiary of the Company. SG Brazil is currently inactive. In May 2015, the Company formed Endaxi Infrastructure Group, Inc. ("Endaxi"), which is currently inactive.

2. Liquidity and Financial Condition

On October 15, 2015, the Company filed a voluntary petition for relief under Chapter 11 of Title 11 of the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"). On June 3, 2016, the United States Bankruptcy Court for the Southern District of New York confirmed the Company's plan of reorganization (the "Plan"). The Plan became effective on June 30, 2016 (the "Effective Date").

On the Effective Date, the Plan became effective and the Company emerged from bankruptcy.

On October 15, 2015, the Company, as borrower, and its subsidiaries, as guarantors, entered into a Debtor in Possession Credit Agreement (the "DIP Credit Agreement" and the loans thereunder, the "DIP Loan") with Hillair Capital Investments L.P. ("HCI"), and, as condition to the making of the DIP Loan, the Company and its subsidiaries entered into that Senior Security Agreement (the "DIP Security Agreement" and together with the DIP Credit Agreement and the other documents entered into in connection therewith, the "DIP Facility"), also dated as of October 15, 2015, with Hillair Capital Management LLC ("HCM") pursuant to which SGB and its subsidiaries granted HCM a first priority security interest in all of their respective assets for the benefit of HCI. The DIP Loan had a maximum principal amount of $600,000, bore interest at a rate of 12% and was due and payable upon the earlier to occur of April 15, 2016 or other dates specified in the DIP Credit Agreement, and required the Company to pay a collateral fee of $25,000. The DIP Loan became due on April 15, 2016 but was not repaid until the Effective Date as described below. The funds advanced under the DIP Facility were used by the Company to fund its operation during the Bankruptcy Proceeding, including payment of professional fees and expenses. On the Effective Date and in accordance with the Plan, the DIP Facility was repaid in full and the related DIP Credit Agreement was terminated.

On the Effective Date, and pursuant to the terms of the Plan, the Company entered into a Securities Purchase Agreement, dated June 30, 2016, (the "2016 SPA"), pursuant to which the Company sold for a subscription price of $2,000,000 a 12% Original Issue Discount Senior Secured Convertible Debenture to HCI in the principal amount of $2,500,000, with a maturity date of June 30, 2018 (the "Exit Facility"). The Exit Facility is convertible at HCI's option at any time in whole or in part into shares of New Common Stock (as defined below) at a ratio of 1 share for every $1.25 of debt. Pursuant to that certain Subsidiary Guaranty Agreement, effective as of the Effective Date (the "Guarantee Agreement"), by SG Building in favor of HCI, SG Building unconditionally guaranteed (the "Guarantee") the obligations and indebtedness owed to HCI under the Exit Facility and the Guarantee is secured by a first-priority lien and security interest on all of the Guarantor's assets. The Exit Facility and SG Building's obligations under the Guarantee are secured by a first-priority lien and security interest on all of the Company's and SG Building's assets pursuant to that certain Security Agreement, dated as of the Effective Date, by and between the Company, SG Building and HCI (the "Security Agreement"). The Exit Facility will be used (i) to make a one hundred percent (100%) distribution for payment of unsecured claims in accordance with the Plan, (ii) to pay all costs of the administration of SGB's Bankruptcy, (iii) to pay all amounts owed under the DIP Facility and (iv) for general working capital purposes of the Company.

Prior to the Effective Date, the Company was authorized to issue 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. 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 Plan, SGB issued, in the aggregate, 491,365 shares of common stock, par value $0.01 (the "New Common Stock"), to the holders of Former Common Stock, representing 7.5% of SGB's issued and outstanding New Common Stock, after taking into account full exercise of the Management Options (as defined below) and conversion of the New Preferred Stock (as defined below) but prior to any conversion of the Exit Facility, as of the Effective Date. Further, under the Plan, upon the Effective Date certain members of the Company's management were entitled to receive options ("Management Options") to acquire an aggregate of 10%, or approximately 655,153 shares, of SGB's New Common Stock, on a fully diluted basis, assuming conversion of all of the New Preferred Stock but not the Exit Facility. The Company has not yet issued the Management Options, but expects to issue them sometime in the third quarter of the 2016 fiscal year.

2. Liquidity and Financial Condition *(continued)*

Prior to the Effective Date, the Company was authorized to issue 5,000,000 shares of preferred stock, par value $0.01 (the "Former Preferred Stock") none of which was issued and outstanding prior to the Effective Date. On the Effective Date, pursuant to the terms of the Plan and the Company's Amended and Restated Certificate of Incorporation, the Company filed with the Secretary of State of the State of Delaware a Certificate of Designations of Convertible Preferred Stock, designating 5,405,010 shares of preferred stock, par value $1.00 (the "New Preferred Stock"). As described in the Current Report on Form 8-K filed by the Company with the SEC on July 7, 2016 (the "July 8-K"), on the Effective Date and pursuant to the Plan, each Prepetition Loan Document (as defined in the July 8-K) was cancelled and the holders of debt thereunder received one share of the New Preferred Stock for each dollar owed by the Company thereunder. The New Preferred Stock is convertible into New Common Stock on a 1:1 basis and, if converted on the Effective Date, would convert into 82.5% of the New Common Stock issued and outstanding on the Effective Date, after taking into account shares of New Common Stock issued to holders of the Former Common Stock and the exercise of the Management Options but prior to any conversion of the Exit Facility. On the Effective Date, HCI received 5,405,010 shares of the Company's preferred stock which is convertible into shares of the Company's common stock. Since each share of the Company's preferred stock is able to vote on an as converted basis HCI effectively has a controlling interest in the Company of 51.17% on an as converted basis.

Also as described in the July 8-K, all general unsecured claims shall receive a distribution of one hundred percent of its allowed claim, plus post-petition interest calculated at the Federal judgment rate, payable as follows: fifty percent on the Effective Date, twenty five percent at the conclusion of the next full fiscal quarter after the Effective Date and the remaining twenty five percent, plus any post-petition interest owed, at the conclusion of the second full fiscal quarter after the Effective Date. These claims have been identified as subject to compromise on the balance sheet.

Upon the Company's emergence from Chapter 11 bankruptcy, the Company adopted fresh start accounting, pursuant to the Financial Accounting Standards Board ("FASB") ASC 852, "*Reorganizations*", and applied the provisions thereof to its financial statements. The Company qualified for fresh start accounting because (i) the holders of existing voting shares of the pre-emergence debtor-in-possession, referred to herein as the "Predecessor" or "Predecessor Company," received less than 50% of the voting shares of the post-emergence successor entity, which we refer to herein as the "Successor" or "Successor Company" and (ii) the reorganization value of the Company's assets immediately prior to confirmation was less than the post-petition liabilities and allowed claims. The Company applied fresh start accounting on June 30, 2016 when it emerged from bankruptcy protection. Adopting fresh start accounting results in a new reporting entity for financial reporting purposes with no beginning retained earnings or deficit. The cancellation of all existing shares outstanding on the Effective Date and issuance of new shares of the Successor Company caused a related change of control of the Company under ASC 852. Upon the application of fresh start accounting, the Company allocated the reorganization value to its individual assets based on their estimated fair values. Reorganization value represents the fair value of the Successor Company's assets before considering liabilities. As a result of the application of fresh start accounting, as well as the effects of the implementation of the Plan, the Consolidated Financial Statements on or after June 30, 2016 are not comparable with the Consolidated Financial Statements prior to that date. References to "Successor" or "Successor Company" relate to the financial position and results of operations of the reorganized Company subsequent to June 30, 2016. References to "Predecessor" or "Predecessor Company" refer to the financial position and results of operations of the Company prior to June 30, 2016.

Reorganization value represents the fair value of the Successor Company's net assets and is intended to approximate the amount a willing buyer would pay for the net assets immediately after restructuring. Under fresh start accounting, we allocated the reorganization value to our individual assets and liabilities based on their estimated fair values. Our reorganization value is derived from an estimate of enterprise value. Enterprise value represents the estimated fair value of an entity's long term debt and shareholders' equity. In support of the Plan, the enterprise value of the Successor Company was estimated to be approximately $8,551,528. The valuation analysis was prepared using financial information and financial projections and applying standard valuation techniques and including risked net asset value analysis.

The Company identified an embedded derivative related to the convertible option feature included in the convertible debentures. The accounting treatment of derivative financial instruments requires the Company to bifurcate and fair value the derivative as of the inception date of the convertible debentures and to fair value the derivative as of each subsequent reporting date. Upon issuance of the convertible debentures on June 30, 2016, the Company received net proceeds of $1,319,001, net of the payoff of $600,000 debtor-in-possession financing and $35,848 in interest expense on such financing, recorded a discount of $500,000, incurred debt issuance costs of $45,151, and recognized a derivative financial instrument approximating $394,460. After these adjustments, the Company's debt was $1,560,389. The difference between the $2,500,000 face amount and the fair value recorded in fresh-start accounting is being amortized over two years, the current expected life of the debt. The fair value of the convertible options was estimated using a Black-Scholes pricing model with the following assumptions: stock price of $1.00; strike price of $1.25 ; expected volatility of 48.8%; risk free interest rate of 0.58%; expiration date of two years. The fair value of these convertible options was estimated using Level 3 inputs.

The adjustments set forth in the following condensed consolidated balance sheet reflect the effect of the consummation of the transactions contemplated by the Plan (reflected in the column "Reorganization Adjustments") as well as fair value adjustments as a result of the adoption of fresh start accounting (reflected in the column "Fresh Start Adjustments"). The explanatory notes highlight methods used to determine fair values or other amounts of the assets and liabilities as well as significant assumptions.

2. Liquidity and Financial Condition *(continued)*

The following table reflects the preliminary reorganization and application of ASC 852 on our condensed consolidated balance sheet as of June 30, 2016:

	Predecessor Company (Unaudited)	*Reorganization Adjustments*	*Fresh Start Adjustments*	*Successor Company*
Assets				
Current assets:				
Cash and cash equivalents	$ -	$ 955,803(1)	$ -	$ 955,803
Short-term investment	30,011	-	-	30,011
Accounts receivable, net	190,893	-	-	190,893
Prepaid expenses	28,589	-	-	28,589
Inventory	40,170	-	-	40,170
Total current assets	289,663	955,803	-	1,245,466
Equipment, net	5,600	-	-	5,600
Security deposit	1,200	-	-	1,200
Goodwill	-	-	4,162,173(6)	4,162,173
Intangible assets	-	-	3,879,000(6)	3,879,000
Totals	$ 296,463	$ 955,803	$ 8,041,173	$ 9,293,439
Liabilities and Stockholders' Equity (Deficit)				
Current liabilities:				
Accounts payable and accrued expenses	$ 487,699	$ (212,219)(2)	$ -	$ 275,480
Accounts payable and accrued expenses – subject to compromise	120,325	(86,612)(2)	-	33,713
Accrued interest, related party – subject to compromise	43,301	(16,801)(2)	-	26,500
Accrued interest	173,147	(173,147)(2)	-	-
Related party accounts payable and accrued expenses – subject to compromise	370,151	(163,522)(2)	-	206,629
Related party notes payable – secured claim	73,500	-	-	73,500
Convertible debentures, net of discounts	5,405,010	(5,405,010)(3)	-	-
Billings in excess of costs and estimated earnings on uncompleted contracts	42,674	-	-	42,764
Deferred revenue	83,415	-	-	83,415
Convertible option liabilities	-	394,460(4)	-	394,460
Total current liabilities	6,799,222	(5,662,851)	-	1,136,371
Debtor in possession financing	600,000	(600,000)(4)	-	-
Convertible debentures, net of discounts	-	1,560,389(4)	-	1,560,389
Total liabilities	7,399,222	(4,702,462)	-	2,696,760
Commitments and Contingencies				
Stockholders' equity (deficit):				
Successor Preferred stock, $1.00 par value, 5,405,000 shares authorized; 5,405,010 issued and outstanding at June 30,2016	-	5,405,010(3)	-	5,405,010
Predecessor Preferred stock, $0.01 par value, 5,000,000 shares authorized; 0 issued and outstanding at December 31,2015	-	-	-	-
Successor Common stock, $0.01 par value, 300,000,000 shares authorized; 491,365 issued and outstanding at June 30,2016	-	4,913(5)	-	4,913
Predecessor Common stock, $0.01 par value, 300,000,000 shares authorized; 42,918,927 issued and outstanding at December 31, 2015	429,189	(429,189)(5)	-	-
Successor additional paid-in capital	-	-	1,186,756(6)	1,186,756
Predecessor additional paid-in capital	7,290,829	-	(7,290,829)(6)	-
Accumulated deficit	(14,822,777)	677,531	14,145,246(6)	-
Total stockholders' equity (deficit)	(7,102,759)	5,658,265	8,041,173	6,596,679
Totals	$ 296,463	$ 955,803	$ 8,041,173	$ 9,293,439

2. Liquidity and Financial Condition ***(continued)***

Reorganization Adjustments

1. Reflects the net cash payments recorded as of the Effective Date from implementation of the Plan:

Sources:	
Net proceeds from Exit Facility	$ 1,319,001
Total sources	1,319,001
Uses:	
Predecessor accounts payable and accrued expenses paid upon emergence	185,979
Other payments made upon emergence	177,219
Total uses	363,198
Net Sources	$ 955,803

2. Reflects the settlement of accounts payable and accrued expenses upon Emergence, as well as payments made on the Effective Date.
3. Reflects the conversion of Convertible Debentures to Preferred Stock
4. Reflects the Convertible Debentures.
5. Reflects the cancellation of predecessor common stock and the issuance of successor common stock.

Fresh Start Adjustments

6. Reflects the recognition of goodwill, intangible assets and the cumulative impact of fresh-start adjustments.

Reorganization Items

Reorganization items represent amounts incurred subsequent to the bankruptcy filing as a direct result of the filing of the Chapter 11 Cases and are comprised of the following:

	Predecessor For the Three Months Ended June 30, 2016	Predecessor For the Six Months Ended June 30, 2016
Professional fees	$ (80,239)	$ (171,893)
Net gain on reorganization items	713,379	713,379
Reorganization items, net	$ 633,140	$ 541,486

The current level of cash and operating margins is not enough to cover the existing fixed and variable obligations of the Company, so increased revenue performance and the addition of capital through issuances of securities are critical to the Company's success. At August 22, 2016, the Company had a cash balance of approximately $694,000. The Company expects that through the next eighteen months, the capital requirements to fund the Company's growth will consume all of the cash flows that it expects to generate from its operations, as well as any proceeds of any other issuances of senior convertible debt securities. The Company further believes that during this period, while the Company is focusing on the growth and expansion of its business, the gross profit that it expects to generate from operations will not generate sufficient funds to cover expected operating costs. Accordingly, the Company requires further external funding to sustain operations and to follow through on the execution of its business plan. There is no assurance that the Company's plans will materialize or that the Company will be successful in funding estimated cash shortfalls through additional debt or equity capital and through the cash generated by the Company's operations. Given these conditions, the Company's ability to continue as a going concern is contingent upon it being able to secure an adequate amount of debt or equity capital to enable it to meet its cash requirements. In addition, the Company's ability to continue as a going concern must be considered in light of the problems, expenses and complications frequently encountered by entrants into established markets, the competitive environment in which the Company operates and the current capital raising environment.

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

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

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

3. Summary of Significant Accounting Policies

Interim financial information - The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by GAAP for annual financial statements. In the opinion of management, all adjustments, consisting of normal accruals, considered necessary for a fair presentation of the interim financial statements have been included. Results for the six months ended June 30, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016.

The condensed consolidated financial statements and notes should be read in conjunction with the financial statements and notes for the year ended December 31, 2015 included in the Company's Annual Report on Form 10-K, as amended, filed with the Securities and Exchange Commission on July 21, 2016.

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

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

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

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

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

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

The Company offers a one-year warranty on completed contracts. For the six months ended June 30, 2016 and 2015, the warranty claims were not material. The Company does not anticipate that any additional claims are likely to occur for warranties that are currently outstanding. Accordingly, no warranty reserve is considered necessary for any of the periods presented.

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

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

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

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

Inventory - Raw construction materials (primarily shipping containers) are valued at the lower of costs (first-in, first-out method) or market. Finished goods and work-in-process inventories are valued at the lower of costs or market, using the specific identification method. As of June 30, 2016 and December 31, 2015, inventory consisted principally of work-in-process inventory, which amounted to $40,170 and $158,181, respectively.

Goodwill – Goodwill represents the excess of reorganization value over fair-value of identified net assets upon emergence from bankruptcy. In accordance with the accounting guidance on 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 units below their carrying values.

Intangible assets – Intangible assets represent the preliminary assets identified upon emergence from bankruptcy and consist of $2,766,000 of proprietary knowledge and technology which is being amortized over 20 years and $1,113,000 of customer contracts which is being amortized over 2.5 years. The estimated amortization expense for the successive five years is as follows:

For the year ending December 31,:	
2017	$ 583,500
2018	583,500
2019	138,300
2020	138,300
2021	$ 138,300

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).

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

	Successor June 30, 2016	**Quoted prices in active market for identical assets (Level l)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Conversion Option Liabilities	$ 394,460	$ -	$ -	$ 394,460

	Predecessor December 31, 2015	**Quoted prices in active market for identical assets (Level l)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Warrant Liabilities	$ -	$ -	$ -	$ -(1)
Conversion Option Liabilities	$ -	$ -	$ -	$ -(1)

(1) Diminimus value at December 31, 2015.

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

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

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

	Successor For the six months ended June 30, 2016	Predecessor For the six months ended June 30, 2015
Beginning balance	$ -	$ 646,671
Aggregate fair value of conversion option liabilities and warrants issued	394,460	-
Change in fair value related to increase in warrants issued for anti-dilutive adjustment	-	-
Change in fair value of conversion option liabilities and warrants	-	(515,382)
Ending balance	$ 394,460	$ 131,289

The significant assumptions and valuation methods that the Company used to determine fair value and the change in fair value of the Company's derivative financial instruments are discussed in Notes 6 and 8.

The Company presented warrant and conversion option liabilities at fair value on its condensed consolidated balance sheets, with the corresponding changes in fair value recorded in the Company's condensed consolidated statements of operations for the applicable reporting periods. As disclosed in Notes 6, the Company computed the fair value of the warrant and conversion option liability at the date of issuance and the reporting dates of June 30, 2016 and December 31, 2015 using a Black-Scholes model.

The calculation of the Black-Scholes model involves the use of the fair value of the Company's common stock, estimated term, volatility, risk-free interest rates and dividend yield (if applicable). The Company developed the assumptions that were used as follows: The fair value of the Company's common stock was obtained from publicly quoted prices. The term represents the remaining contractual term of the derivative; the volatility rate was developed based on analysis of the Company's historical stock price volatility and the historical volatility rates of several other similarly situated companies (using a number of observations that was at least equal to or exceeded the number of observations in the life of the derivative financial instrument at issue); the risk free interest rates were obtained from publicly available US Treasury yield curve rates; the dividend yield is zero because the Company has not paid dividends and does not expect to pay dividends in the foreseeable future.

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 June 30, 2016 and December 31, 2015 79% and 74%, respectively, of the Company's accounts receivable were due from four and two customers, respectively.

Revenue relating to two customers represented approximately 76% and 19% of the Company's total revenue for the three months ended June 30, 2016. Revenue relating to four customers represented approximately 10%, 27%, 15% and 15% of the Company's total revenue for the three months ended June 30, 2015. Revenue relating to two customers represented approximately 46% and 23% of the Company's total revenue for the six months ended June 30, 2016. Revenue relating to four customers represented approximately 14%, 14%, 21% and 15% of the Company's total revenue for the six months ended June 30, 2015.

Costs of revenue relating to one vendor, who is a related party and disclosed in Note 11, represented approximately 19% and 16% of the Company's total cost of revenue for the three months ended June 30, 2016 and 2015. Costs of revenue relating to one unrelated vendor represented approximately 14% and 16%, respectively, of the Company's total cost of revenue for the three months ended June 30, 2016 and 2015. Costs of revenue relating to one vendor, who is a related party and disclosed in Note 11, represented approximately 24% and 37% of the Company's total cost of revenue for the six months ended June, 2016 and 2015. Costs of revenue relating to one unrelated vendor represented approximately 34% and 28%, respectively, of the Company's total cost of revenue for the six months ended June 30, 2016 and 2015. The Company believes it has access to alternative suppliers, with limited disruption to the business, should circumstances change with its existing suppliers.

Recent accounting pronouncements - In May 2014, the FASB issued ASU No. 2014-09 ("ASU 2014-09"), which creates Topic 606, *Revenue from Contracts with Customers*, and supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, including most industry-specific revenue recognition guidance throughout the Industry Topics of the Codification. In addition, ASU 2014-09 supersedes the cost guidance in Subtopic 605-35, Revenue Recognition --Construction-Type and Production-Type Contracts, and creates new Subtopic 340-40, Other Assets and Deferred Costs -- Contracts with Customers. In summary, the core principle of Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Additionally, ASU 2014-09 requires enhanced financial statement disclosures over revenue recognition as part of the new accounting guidance. The amendments in ASU 2014-09 are effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period, and early application is permitted commencing January 1, 2017. The Company is currently evaluating the provisions of ASU 2014-09 and assessing the impact, if any, it may have on its financial position and results of operations.

In August 2014, the FASB issued ASU 2014 -15, *Presentation of Financial Statements - Going Concern.* The Update provides U.S. GAAP guidance on management's responsibility in evaluating whether there is substantial doubt about a company's ability to continue as a going concern and about related footnote disclosures. For each reporting period, management will be required to evaluate whether there are conditions or events that raise substantial doubt about a company's ability to continue as a going concern within one year from the date the financial statements are issued. This Accounting Standards Update is the final version of Proposed Accounting Standards Update 2013 - 300 --Presentation of Financial Statements (Topic 205): Disclosure of Uncertainties about an Entity's Going Concern Presumption, which has been deleted. The Company is currently evaluating the effects of ASU 2014 -15 on the financial statements.

In April 2015, the FASB issued ASU No. 2015-03, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs.* The update requires debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability instead of being presented as an asset. Debt disclosures will include the face amount of the debt liability and the effective interest rate. The update requires retrospective application and represents a change in accounting principle. The update is effective for fiscal years beginning after December 15, 2015. Early adoption permitted for financial statements that have not been previously issued. The adoption of this statement will impact future presentation and disclosures of the financial statements.

In July 2015, the FASB issued ASU No. 2015-11, *Inventory: Simplifying the Measurement of Inventory.* The update requires inventory not measured using either the last in, first out (LIFO) or the retail inventory method to be measured at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable cost of completion, disposal, and transportation. The update is effective for fiscal years beginning after December 15, 2016. Early adoption is permitted for financial statements that have not been previously issued. The Company is currently evaluating the effects of ASU 2015-11 on the financial statements.

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

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The updates principle objective is to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet. ASU 2016-02 continues to retain a distinction between finance and operating leases but requires lessees to recognize a right-of-use asset representing its right to use the underlying asset for the lease term and a corresponding lease liability on the balance sheet for all leases with terms greater than twelve months. The update is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted for financial statements that have not been previously issued. The Company is currently evaluating the effects of ASU 2016-02 on the financial statements.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation – Stock Compensation (Topic 718*). The update makes several modifications to Topic 718 related to the accounting for forfeitures, employer tax withholding on share-based compensation, and the financial statement presentation of excess tax benefits or deficiencies. ASU 2016-09 also clarifies the statement of cash flows presentation for certain components of share-based awards. The update is effective for fiscal years beginning after December 15, 2016. Early adoption is permitted for financial statements that have not been previously issued. The Company is currently evaluating the effects of ASU 2016-09 on the financial statements.

4. Accounts Receivable

At June 30, 2016 and December 31, 2015, the Company's accounts receivable consisted of the following:

	2016	2015
Billed:		
SG Block sales	$ 180,610	$ 82,200
Engineering services	40,518	14,181
Project management	4,000	14,400
Total gross receivables	225,128	110,781
Less: allowance for doubtful accounts	(34,235)	(24,746)
Total net receivables	$ 190,893	$ 86,035

5. Costs and Estimated Earnings on Uncompleted Contracts

Costs and estimated earnings on uncompleted contracts consist of the following at June 30, 2016 and December 31, 2015:

	2016	2015
Costs incurred on uncompleted contracts	$ 26,414	$ 18,363
Provision for loss on uncompleted contracts	-	-
Estimated income	9,882	6,786
	36,296	25,149
Less: billings to date	(78,970)	(53,173)
	$ (42,674)	$ (28,024)

The above amounts are included in the accompanying condensed consolidated balance sheets under the following captions at June 30, 2016 and December 31, 2015.

	2016	2015
Costs and estimated earnings in excess of billings on uncompleted contracts	$ -	$ -
Billings in excess of cost and estimated earnings on uncompleted contracts	(42,674)	(28,024)
	$ (42,674)	(28,024)

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. Convertible Debentures

Predecessor Company

On April 10, 2014, the Company entered into a Securities Exchange Agreement (the “Exchange Agreement”) with Hillair Capital Investments L.P. (“Hillair”), Frank Casano (“Casano”) and Scott Masterson (“Masterson”) who held certain existing Senior Convertible Debentures (the “Existing Debentures”). Existing Debentures consisted of: (a) debentures issued and sold to Hillair in December 2012 (the “2012 Hillair Debentures”) and (b) debentures issued and sold to Casano and Masterson in April 2013 (the “April 2013 Debentures”). Under the terms of the Exchange Agreement, Existing Debentures with a stated maturity value of $1,680,000 were surrendered in exchange for (i) new Senior Convertible Debentures with a stated interest rate of eight percent (8%) per year, a stated maturity value of $1,915,200, a conversion price of $0.25 per share, subject to adjustment, with a final maturity date of April 1, 2016 (the “2014 Exchange Debentures”), and (ii) a five (5) year Common Stock purchase warrant to purchase up to 7,660,800 shares of the Company’s common stock at an exercise price of $0.275 (110% of the conversion price), subject to adjustment (the “2014 Exchange Warrants”). At April 10, 2014, the carrying value of Existing Debentures was $1,680,000 and the fair value of the conversion option liability was $2,366. The fair value of the conversion option liability of the 2014 Exchange Debentures was determined to be $380,744 and the fair value of the warrants issued was determined to be $490,601 upon issuance of the Exchange Debentures. The Company recognized a loss of $1,104,179 on this exchange transaction upon issuance of the Exchange Debentures. In connection with the Exchange Agreement, the Company incurred $20,763 in legal fees which are included in debt issuance costs in the accompanying condensed consolidated balance sheets at December 31, 2015.

On April 10, 2014, the Company entered into a Securities Purchase Agreement (the “2014 SPA”) with four investors, including Hillair pursuant to which the Company issued and sold (i) $2,080,500 in 8% Original Discount Senior Secured Convertible Debentures, for $1,825,000, with a conversion price of $0.25 per share, subject to adjustment, with a final maturity date of April 1, 2016 (the “2014 New Debentures” together with the 2014 Exchange Debentures, the “2014 Debentures”), and (ii) a five (5) year Common Stock purchase warrant to purchase up to 8,322,000 shares of the Company’s common stock at an exercise price of $0.275 (110% of the conversion price), subject to adjustment with a fair value of $532,944 at issuance, which has been recorded as a discount to the 2014 New Debentures. (As disclosed in Note 8) The Company recorded a discount of $255,500, which is being amortized over the term of the 2014 New Debentures, using the effective interest method. The initial conversion price for the 2014 New Debentures is $0.25 per share, subject to adjustments upon certain events, as set forth in the 2014 New Debentures. At the date of issuance the fair value of the conversion option liability was determined to be $413,606, which has been recorded as a discount to the 2014 New Debentures. In connection with the 2015 New Debentures, the Company incurred $20,000 in legal fees which are included in debt issuance costs in the accompanying condensed consolidated balance sheets at June 30, 2016 and December 31, 2015. As of June 30, 2016 and December 31, 2015, the discount related to the 2015 New Debentures amounted to $387,965.

The Exchange Agreement and the 2015 SPA triggered anti-dilution adjustments to the warrants issued on the Existing Debentures based on a $0.25 per share conversion price (adjusted from the original stated conversion price of $0.43 per share), which reduces the exercise price to $0.25 per share and increases the number of shares issuable upon the exercise of the Existing Warrants from 4,818,605 to 8,288,000 shares.

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

6. Convertible Debentures *(continued)*

Upon any Event of Default (as defined in the 2014 Debentures), the outstanding principal amount of the 2014 Debentures, plus liquidated damages, interest, a premium of 30% and other amounts owing in respect thereof through the date of acceleration, shall become, at the debenture holders' election, immediately due and payable in cash. Commencing five days after the occurrence of any Event of Default, the interest rate on the 2014 Debentures shall accrue at an interest rate equal to the lesser of 18% per annum or the maximum rate permitted under applicable law. The 2014 Debentures contain anti-dilution protective provisions as described therein. The Company is subject to compliance with certain covenants under the 2014 Debentures as set forth therein. On September 11, 2015, the Company failed to make a payment of interest that was due and payable on the 2014 Debentures and thus the outstanding principal amount increased by $1,247,310 to $5,405,010.

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

To secure the Company's obligations under the 2014 Debentures, SG Building entered into a Subsidiary Guarantee, dated as of April 10, 2014 (the "Guarantee"), pursuant to which it unconditionally and irrevocably guaranteed the prompt and complete payment and performance when due of the obligations arising from the 2014 Debentures. The Company and SG Building have each granted the debenture holders a security interest in their assets to secure the payment, performance and discharge in full of all of the Company's obligations under the 2014 Debentures and the guarantor's obligations under the Guarantee, in accordance with that certain Security Agreement, dated as of April 10, 2014.On August 5, 2015, the Company issued and sold to Hillair a $162,000 Original Issue Discount Senior Secured Convertible Debenture due November 3, 2015 (the "Bridge Debenture"), for $150,000 (the "August 2015 Financing"). The sale and issuance of the Bridge Debenture was consummated pursuant to a Securities Purchase Agreement, dated August 5, 2015, between the Company and Hillair. At any time after August 5, 2015, until the Bridge Debenture is no longer outstanding, the Bridge Debenture is convertible, in whole or in part, into shares of Common Stock at the option of Hillair, subject to certain conversion limitations set forth in the Bridge Debenture. The initial conversion price for the Bridge Debenture is $0.10 per share, subject to adjustments upon certain events, as set forth in the Bridge Debenture. As the Bridge Debenture was issued at an original issue discount, interest does not accrue on the Bridge Debenture.

Due to the Company filing a voluntary petition for relief under Chapter 11 of Title 11 of the Bankruptcy Court, interest stopped accruing on October 15, 2015. Additional contractual interest through June 30, 2016 would have resulted in $146,509 of additional interest. On June 30, 2016, in connection with the Plan, all of the outstanding debentures were converted into preferred stock in accordance with the Plan as disclosed in Note 1.

Successor Company

On the Effective Date, and pursuant to the terms of the Plan, SGB entered into a Securities Purchase Agreement, dated June 30, 2016, (the "2016 SPA"), pursuant to which SGB sold for a subscription price of $2,000,000, a 12% Original Issue Discount Senior Secured Convertible Debenture to HCI in the principal amount of $2,500,000, with a maturity date of June 30, 2018 (the "2016 Debenture"). The 2016 Debenture is convertible at HCI's option at any time in whole or in part into shares of New Common Stock (as defined below) at a ratio of 1 share for every $1.25 of debt. Pursuant to that certain Subsidiary Guaranty Agreement, effective as of the Effective Date (the "Guarantee Agreement"), by SG Building in favor of HCI, SG Building unconditionally guaranteed (the "Guarantee") the obligations and indebtedness owed to HCI under the 2016 Debenture and the Guarantee is secured by a first-priority lien and security interest on all of the Guarantor's assets. The 2016 Debenture and SG Building's obligations under the Guarantee are secured by a first-priority lien and security interest on all of the Company's and SG Building's assets pursuant to that certain Security Agreement, dated as of the Effective Date, by and between the Company, SG Building and HCI (the "Security Agreement"). At the date of issuance the fair value of the conversion option liability was determined to be $394,460, which has been recorded as a discount to the debenture. HCI is a related party as disclosed in Note 10.

A summary of the Company's convertible debentures as of June 30, 2016 and December 31, 2015 is as follows:

	Successor 2016	Predecessor 2015
2015 Exchange Debentures	$ -	$ 2,489,760
2015 New Debentures, net of $229,405 and $387,965 discount	-	2,316,685
Bridge Debenture	-	210,600
2016 Debenture, net of $939,611 discount	1,560,389	-
Total debt	1,560,389	5,017,045
Less current portion	-	-
Long-term debt	$ 1,560,389	$ 5,017,045

6. Convertible Debentures *(continued)*

For the six months ended June 30, 2015, interest expense on the convertible debentures amounted to $159,828, and is included on the accompanying condensed consolidated statements of operations. For the three months ended June 30, 2015, interest expense on the convertible debentures amounted to $79,914, and is included on the accompanying condensed consolidated statements of operations. For the six months ended June 30, 2016 and 2015, total amortization relating to the discount amounted to $387,965 and $202,416, respectively, and is included in interest expense on the accompanying condensed consolidated statements of operations. For the three months ended June 30, 2016 and 2015, total amortization relating to the discount amounted to $338,438 and $101,208, respectively, and is included in interest expense on the accompanying condensed consolidated statements of operations.

7. Net Income (Loss) Per Share – Predecessor

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. Diluted income per share includes the dilution that would occur upon the exercise or conversion of all potentially dilutive securities into common stock using the “treasury stock” and/or “if converted” method as applicable. At June 30, 2016, there were options and warrants to purchase 15,425,001 and 25,572,059 shares of common stock, respectively, outstanding which could potentially dilute future net income (loss) per share. At June 30, 2016 the Company also has outstanding convertible debt which is initially convertible into 17,602,800 shares of common stock that could potentially dilute future net income (loss) per share. The number of shares the convertible debt could be converted into could potentially increase under certain circumstances related to the market price of the Company’s common stock at the time of conversion. At June 30, 2015, there were options and warrants to purchase 15,425,001 and 25,572,059 shares of common stock, respectively, outstanding which could potentially dilute future net income (loss) per share. At June 30, 2015 the Company also had outstanding convertible debt which was initially convertible into 15,982,800 shares of common stock, which could potentially dilute future net income (loss) per share.

8. Warrants and Stock Options and Grants

Prior to the Effective Date the Predecessor Company had 25,572,059 warrants and 15,425,001 stock options outstanding. In connection with the Plan these instruments were cancelled. No warrants or stock options have been granted by the Successor Company

9. Commitments and Contingencies

Litigation - The Company is subject to periodic lawsuits, investigations and claims during the ordinary course of business. The Company is not a party to any material litigation as of June 30, 2016.

Operating lease - The Company leases office space in New York City to conduct its business. The Company’s previous lease began October 1, 2013 and expired March 31, 2015. Non-contingent rent increases were being amortized over the life of the lease on a straight line basis. Subsequent to March 31, 2015, the Company entered into a month-to-month lease for office space. The rental expense charged to operations for the three months ended June 30, 2016 and 2015 amounted to $0 and $13,056, respectively. The rental expense charged to operations for the six months ended June 30, 2016 and 2015 amounted to $3,600 and $31,403, respectively.

10. Related Party Transactions

On March 26, 2009, the Company entered into a $50,000 revolving credit promissory note (the “Revolver”) with Vector Group Ltd. (“Vector”), the former controlling stockholder of the Company. On January 26, 2011, the Company and Vector entered into an amendment to the Revolver increasing the amount that the Company may borrow from $50,000 to $100,000. The loan bears interest at 11% per annum and was due on December 31, 2013. During January 2014, the Revolver was extended from December 31, 2013 to June 30, 2015. The Revolver is currently in default but the Company has obtained waivers from the Convertible Debenture holders in regards to a cross default provision outlined in the underlying agreements. As of June 30, 2016 and December 31, 2015, the balance due to Vector amounted to $73,500. In connection with the Plan the total amount including accrued interest due to Vector was adjusted to $100,000. As of June 30, 2016 and December 31, 2015, accrued interest related to the Revolver amounted to $26,500 and $43,301, respectively, and is included in accrued interest, related party on the accompanying condensed consolidated balance sheets. Due to the Company filing a voluntary petition for relief under Chapter 11 of Title 11 of the Bankruptcy Court, interest stopped accruing on October 15, 2015. Additional contractual interest through March 31, 2016 would have resulted in $3,773 of additional interest. Subsequent to March 31, 2016, in connection with the Plan, the Revolver was treated as an unsecured claim and paid in accordance with the Plan. Interest expense for other related party notes payable amounted to $2,044 and $4,065 for the three months and six months ended June 30, 2015, respectively.

10. Related Party Transactions *(continued)*

ConGlobal Industries, Inc. is a minority stockholder of the Company and provides containers and labor on domestic projects. The Company recognized Cost of Goods Sold of $105,869 and $176,990, for services ConGlobal Industries, Inc. rendered during the three months ended June 30, 2016 and 2015 respectively. The Company recognized Cost of Goods Sold of $209,228 and $545,569, for services ConGlobal Industries, Inc. rendered during the six months ended June 30, 2016 and 2015 respectively. As of June 30, 2016 and December 31, 2015, $154,567 and $317,468, respectively, of such expenses are included in related party accounts payable and accrued expenses in the accompanying condensed consolidated balance sheets.

The Lawrence Group is a minority stockholder of the Company and is a building design, development and project delivery firm. As of June 30, 2016 and December 31, 2015, $52,683 of expenses were included in related party accounts payable and accrued expenses in the accompanying condensed consolidated balance sheets.

An affiliated accounting firm of the Company's former Chief Financial Officer provided accounting and consulting services to the Company. The Company recognized General and Administrative expenses in the amount of $10,000 and $42,000, respectively, for the three months and six months ended June 30, 2015.

A preferred stockholder holds the 2016 Debenture as disclosed in Note 6.

Item 2. 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 condensed consolidated financial statements and related notes and schedules included elsewhere in this Quarterly Report on Form 10-Q. The unaudited condensed consolidated financial statements and notes included herein should be read in conjunction with our audited consolidated financial statements and notes for the year ended December 31, 2015, which were included in our Annual Report on Form 10-K, as amended, filed with the Securities and Exchange Commission. Statements contained in this Quarterly Report on Form 10-Q may use forward-looking terminology, such as "anticipates," "believes," "could," "estimates," "may," "should," "will," or other variations on these terms or their negatives, and include statements related to, among others, gains and losses on derivatives, plans to pay dividends and repurchase excess capital stock, future other-than-temporary impairment charges, future classification of securities, and housing reform legislation. These statements may involve matters pertaining to, but not limited to: projections regarding revenue, income, earnings, capital expenditures, dividends, the capital structure and other financial items; statements of plans or objectives for future operations; expectations of future economic performance; and statements of assumptions underlying certain of the foregoing types of statements. All statements other than statements of historical facts are statements that could potentially be forward-looking. The Company cautions that forward-looking statements involve risks and uncertainties and actual results could differ materially from those expressed or implied in these forward-looking statements or could affect the extent to which a particular objective, projection, estimate or prediction is realized. Factors that could cause or contribute to such differences include, but are not limited to, intensified competition and/or operating problems in the Company's operating business projects and their impact on revenues and profit margins or additional factors, and those discussed in Part II, Item 1A "Risk Factors" and elsewhere this Quarterly Report on Form 10-Q. In addition, certain information presented below is based on unaudited financial information. There can be no assurance that there will be no changes to this information once audited financial information is available. As a result, readers are cautioned not to place undue reliance on forward-looking statements. The Company will not undertake to update any forward-looking statement herein or that may be made from time to time on behalf of the Company.

General

SG Building Blocks, Inc. ("SG Building"), our wholly-owned subsidiary, offers the construction industry a safer, greener, faster, longer lasting and more economical alternative to conventional construction methods. SG Building is a provider of code engineered cargo shipping containers that it modifies and delivers to meet the growing demand for safe and green for commercial, industrial and residential building construction. Rather than consuming new steel and lumber, it capitalizes on the structural engineering and design parameters a shipping container must meet and repurposes them for use in building. It offers the construction industry a safer, greener, faster, longer lasting and more economical alternative to conventional construction methods. SG Building is a provider of code engineered cargo shipping containers modified for use in "green" construction. SG Building also provides engineering and project management services related to the use of modified containers in construction.

During 2011, the Company formed SG Blocks Sistema De Constucao Brasileiro LTDA. ("SG Brazil"), a wholly owned subsidiary of the Company. SG Brazil is currently inactive. In May 2015, the Company formed Endaxi Infrastructure Group, Inc., which is currently inactive.

Bankruptcy Proceedings

On October 15, 2015, SG Blocks, Inc. ("SGB") and its subsidiaries SG Building and Endaxi Infrastructure Group, Inc. (each a "Subsidiary," together, the "Subsidiaries" and together with SGB, the "Debtors"), filed voluntary petitions (the "Bankruptcy Petitions") for reorganization under Chapter 11 of the United States Bankruptcy Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"). The Debtors filed a motion with the Bankruptcy Court seeking joint administration of their Chapter 11 cases under the caption *In re SG Blocks, Inc. et al.* , Case No. 15-12790 (such proceeding, the "Bankruptcy Proceeding"). After filing such voluntary petitions, the Debtors operated their businesses as "debtors-in-possession" under jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court until the Effective Date (as defined below). On February 29, 2016, the Debtors filed a Disclosure Statement (the "Disclosure Statement"), attaching a Plan of Reorganization (the "Plan"), along with a motion seeking approval of the Disclosure Statement by the Bankruptcy Court. On June 30, 2016 (the "Effective Date"), the Plan became effective and the Debtors emerged from bankruptcy.

On October 15, 2015, SGB, as borrower, and its subsidiaries, as guarantors, entered into a Debtor in Possession Credit Agreement (the "DIP Credit Agreement" and the loans thereunder, the "DIP Loan") with Hillair Capital Investments L.P. ("HCI"), and, as condition to making the DIP Loan, SGB and its subsidiaries entered into that Senior Security Agreement (the "DIP Security Agreement" and together with the DIP Credit Agreement and the other documents entered into in connection therewith, the "DIP Facility"), also dated as of October 15, 2015, with Hillair Capital Management LLC ("HCM") pursuant to which SGB and its subsidiaries granted HCM a first priority security interest in all of their respective assets for the benefit of HCI. The DIP Loan had a maximum principal amount of $600,000, bore interest at a rate of 12% and was due and payable upon the earlier to occur of April 15, 2016 or other dates specified in the DIP Credit Agreement, and required SGB to pay a collateral fee of $25,000. The funds advanced under the DIP Facility were used by SGB to fund its operation during the Bankruptcy Proceeding, including payment of professional fees and expenses. On the Effective Date and in accordance with the Plan, the DIP Facility was repaid in full and the related DIP Credit Agreement was terminated.

On the Effective Date, and pursuant to the terms of the Plan, SGB entered into a Securities Purchase Agreement, dated June 30, 2016, (the "2016 SPA"), pursuant to which SGB sold for a subscription price of $2.0 million a 12% Original Issue Discount Senior Secured Convertible Debenture to HCI in the principal amount of $2.5 million, with a maturity date of June 30, 2018 (the "Exit Facility"). The Exit Facility is convertible at HCI's option at any time in whole or in part into shares of New Common Stock (as defined below) at a ratio of 1 share for every $1.25 of debt. Pursuant to that certain Subsidiary Guaranty Agreement, effective as of the Effective Date (the "Guarantee Agreement"), by SG Building in favor of HCI, SG Building unconditionally guaranteed (the "Guarantee") the obligations and indebtedness owed to HCI under the Exit Facility and the Guarantee is secured by a first-priority lien and security interest on all of the Guarantor's assets. The Exit Facility and SG Building's obligations under the Guarantee are secured by a first-priority lien and security interest on all of the Company's and SG Building's assets pursuant to that certain Security Agreement, dated as of the Effective Date, by and between the Company, SG Building and HCI (the "Security Agreement"). The Exit Facility will be used (i) to make a one hundred percent (100%) distribution for payment of unsecured claims in accordance with the Plan, (ii) to pay all costs of the administration of SGB's Bankruptcy, (iii) to pay all amounts owed under the DIP Facility and (iv) for general working capital purposes of SGB.

Prior to the Effective Date, SGB was authorized to issue 300,000,000 shares of common stock, par value $0.01 (the "Former Common Stock") of which approximately 42,918,927 shares were issued and outstanding as of June 29, 2016. 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 Plan, SGB issued, in the aggregate, 491,365 shares of common stock, par value $0.01 (the "New Common Stock"), to the holders of Former Common Stock, representing 7.5% of SGB's issued and outstanding New Common Stock, after taking into account full exercise of the Management Options (as defined below) and conversion of the New Preferred Stock (as defined below) but prior to any conversion of the Exit Facility, as of the Effective Date. Further, under the Plan, upon the Effective Date certain members of SGB's management were entitled to receive options ("Management Options") to acquire an aggregate of 10%, or approximately 655,153 shares, of SGB's New Common Stock, on a fully diluted basis, assuming conversion of all of the New Preferred Stock but not the Exit Facility. SGB has not yet issued the Management Options, but expects to issue them sometime in the third quarter of the 2016 fiscal year.

Prior to the Effective Date, SGB was authorized to issue 5,000,000 shares of preferred stock, par value $0.01 (the "Former Preferred Stock") none of which was issued and outstanding prior to the Effective Date. 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 5,405,010 shares of preferred stock, par value $1.00 (the "New Preferred Stock"). As described in the Current Report on Form 8-K filed by the Company with the Securities and Exchange Commission (the "SEC") on July 7, 2016 (the "July 8-K"), on the Effective Date and pursuant to the Plan, each Prepetition Loan Document (as defined in the July 8-K) was cancelled and the holders of debt thereunder received one share of the New Preferred Stock for each dollar owed by SGB thereunder. The New Preferred Stock is convertible into New Common Stock on a 1:1 basis and, if converted on the Effective Date, would convert into 82.5% of the New Common Stock issued and outstanding on the Effective Date, after taking into account shares of New Common Stock issued to holders of the Former Common Stock and the exercise of the Management Options but prior to any conversion of the Exit Facility. On the Effective Date, HCI received 5,405,010 shares of the Company's preferred stock which is convertible into shares of the Company's common stock. Since each share of the Company's preferred stock is able to vote on an as converted basis HCI effectively has a controlling interest in the Company of 51.17% on an as converted basis.

Also as described in the July 8-K, all general unsecured claims shall receive a distribution of one hundred percent of its allowed claim, plus post-petition interest calculated at the Federal judgment rate, payable as follows: fifty percent on the Effective Date, twenty five percent at the conclusion of the next full fiscal quarter after the Effective Date and the remaining twenty five percent, plus any post-petition interest owed, at the conclusion of the second full fiscal quarter after the Effective Date.

References herein to the pre-Effective Date common stock of SGB shall be deemed references to Former Common Stock and references herein to the post-Effective Date common stock of SGB shall be deemed references to New Common Stock.

Results of Operations

Six Months Ended June 30, 2016 and 2015:

	2016	2015
Loss from operations	$ (777,214)	$ (729,440)
Other income (expense)	(429,009)	137,318
Reorganization items	541,486	-
Net Loss	$ (664,737)	$ (592,122)

Revenue

Revenue for the six months ended June 30, 2016 was $1,056,223 compared to $1,870,874 for the six months ended June 30, 2015. This decrease of $814,651 resulted mainly from a decrease of revenue from block "green steel" jobs. Revenue recognized from block "green steel" jobs decreased by $821,232 for the six months ended June 30, 2016 compared to the three months ended June 30, 2015. Revenue from block "green steel" jobs decreased primarily due to a decrease in the number of jobs being completed during the six months ended June 30, 2016 compared to the six months ended June 30, 2015.

Cost of Revenue and Gross Profit

Cost of revenue decreased by $601,124 to $859,974 for the six months ended June 30, 2016 from $1,461,098 for the six months ended June 30, 2015. The decrease in cost of revenue resulted primarily from a decrease of costs from block “green steel” jobs. Costs recognized from block “green steel” jobs decreased $617,254 for the six months ended June 30, 2016 compared to the six months ended June 30, 2015. Gross profit decreased to $196,249 for the six months ended June 30, 2016 compared to $409,776 for the six months ended June 30, 2015. Gross profit percentage decreased to 19% for the six months ended June 30, 2016 compared to 22% for the six months ended June 30, 2015.

Payroll and Related Expense

Payroll and related expense for the six months ended June 30, 2016 was $367,254 compared to $591,378 for the six months ended June 30, 2015. This decrease resulted from a decrease in salaries for the six months ended June 30, 2016 compared to the six months ended June 30, 2015. This decrease was caused by a decrease in head count as well as reduction in salaries.

Other Operating Expenses

Other operating expense for the six months ended June 30, 2016 was $606,209 compared to $547,838 for the six months ended June 30, 2015. This increase was mainly caused by an increase in legal expenses due to the bankruptcy proceedings.

Interest Expense

Interest expense for the six months ended June 30, 2016 was $429,017 compared to $378,077 for the six months ended June 30, 2015. This increase was mainly caused by an increase in amortization of debt discount for the six months ended June 30, 2016 compared to the six month ended June 30, 2015.

Other income (expense)

During the six months ended June 30, 2015, there was other income (expense) recognized due to a change in fair value of financial instruments of $515,382. There was no other income (expense) recognized as a result of a change in fair value of financial instruments during the six months ended June 30, 2016, because the fair value of financial instruments was de minimis at December 31, 2015 and June 30, 2016.

Three Months Ended June 30, 2016 and 2015:

	2016	2015
Loss from operations	$ (525,945)	$ (174,845)
Other income (expense)	(265,248)	(60,232)
Reorganization items	633,140	-
Net Loss	$ (158,053)	$ (235,077)

Revenue

Revenue for the three months ended June 30, 2016 was $828,477 compared to $1,468,835 for the three months ended June 30, 2015. This decrease of $640,358 resulted mainly from a decrease of revenue from block “green steel” jobs. Revenue recognized from block “green steel” jobs decreased by $643,143 for the three months ended June 30, 2016 compared to the three months ended June 30, 2015. Revenue from block “green steel” jobs decreased primarily due to a decrease in the number of jobs being completed during the three months ended June 30, 2016 compared to the three months ended June 30, 2015.

Cost of Revenue and Gross Profit

Cost of revenue decreased by $414,430 to $686,745 for the three months ended June 30, 2016 from $1,101,175 for the three months ended June 30, 2015. The decrease in cost of revenue resulted primarily from a decrease of costs from block “green steel” jobs. Costs recognized from block “green steel” jobs decreased $431,327 for the three months ended June 30, 2016 compared to the three months ended June 30, 2015. Gross profit decreased to $141,732 for the three months ended June 30, 2016 compared to $367,660 for the three months ended June 30, 2015. Gross profit percentage decreased to 17% for the three months ended June 30, 2016 compared to 25% for the three months ended June 30, 2015.

Payroll and Related Expense

Payroll and related expense for the three months ended June 30, 2016 was $200,318 compared to $280,155 for the three months ended June 30, 2015. This decrease resulted from a decrease in salaries for the three months ended June 30, 2016 compared to the three months ended June 30, 2015. This decrease was caused by a decrease in head count as well as reduction in salaries.

Other Operating Expenses

Other operating expense for the three months ended June 30, 2016 was $467,359 compared to $262,350 for the three months ended June 30, 2015. This increase was mainly caused by an increase in legal expenses due to the bankruptcy proceedings.

Interest Expense

Interest expense for the six months ended June 30, 2016 was $265,253 compared to $189,730 for the three months ended June 30, 2015. This increase was mainly caused by an increase in amortization of debt discount for the three months ended June 30, 2016 compared to the three month ended June 30, 2015.

Other income (expense)

During the three months ended June 30, 2015, there was other income (expense) recognized due to a change in fair value of financial instruments of $129,491. There was no other income (expense) recognized as a result of a change in fair value of financial instruments during the six months ended June 30, 2016, because the fair value of financial instruments was diminimus at March 31, 2016 and June 30, 2016.

Income Tax Provision

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

Impact of Inflation

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

Liquidity and Capital Resources

Since SG Building's inception in 2008, SG Building has generated losses from operations and the Company anticipates that it will continue to generate losses from operations for the foreseeable future. As of December 31, 2015, the Company's stockholders' deficit was approximately $5,880,000. The Company's net loss before reorganization items for the six months ended June 30, 2016 was $1,206,223. Net cash used in operating activities was $832,895 for the six months ended June 30, 2016. At June 30, 2016, the Company had a cash balance of $955,803.

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

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

On April 10, 2014, the Company entered into an Exchange Agreement (the "Exchange Agreement") with certain of the holders of its existing Senior Convertible Debentures (the "Existing Debentures"). Under the terms of the Exchange Agreement, Existing Debentures with a stated maturity value of $1,680,000 were surrendered in exchange for (a) new Senior Convertible Debentures with a stated interest rate of eight percent (8%) per year, a stated maturity value of $1,915,200, a conversion price of $0.25 per share, subject to adjustment, with a final maturity date of April 1, 2016 (the "2014 Exchange Debentures"), and (b) five (5) year warrants to purchase up to 7,660,830 shares of the Company's common stock at an exercise price of $.275 per share (110% of the conversion price), subject to adjustment (the "2014 Exchange Warrants"). Existing Debentures with a maturity value of $392,000 were paid in accordance with the original terms.

On April 10, 2014, the Company entered into a Securities Purchase Agreement (the "2014 SPA") pursuant to which it issued and sold (a) $2,080,500 (maturity value) in Senior Convertible Debentures for a subscription amount of $1,825,000, which had the same terms as the 2014 Exchange Debentures, including a stated interest rate of eight percent (8%) per year and a conversion price of $0.25 per share, subject to adjustment, with a final maturity date of April 1, 2016 (the "2014 New Debentures" together with the 2014 Exchange Debentures, the "2014 Debentures") and (b) five (5) year warrants to purchase up to 8,322,000 shares of the Company's common stock at an exercise price of $0.275 per share (110% of the conversion price), subject to adjustment (the "2014 New Warrants" together with the 2014 Exchange Warrants, the "2014 Warrants"). Holders of the 2014 Debentures are referred to in this Annual Report on Form 10-K as the "2014 Holders".

On August 5, 2015, the Company issued and sold to Hillair a $162,000 Original Issue Discount Senior Secured Convertible Debenture due November 3, 2015 (the "Bridge Debenture"), for $150,000 (the "August 2015 Financing"). The sale and issuance of the Bridge Debenture was consummated pursuant to a Securities Purchase Agreement, dated August 5, 2015, between the Company and Hillair.

As described in the July 8-K, the Existing Debentures, the 2014 Debentures, the Bridge Debenture and each other Prepetition Loan Document (as defined in the July 8-K), were cancelled and the holders of debt thereunder received one share of the New Preferred Stock for each dollar owed by SGB thereunder. See Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations – Bankruptcy Proceedings for additional detail regarding the conversion of debentures.

On September 11, 2015, the Company failed to make a payment of interest that was due and payable on its outstanding debentures, which, as a result, caused the Company to be in default under the debentures. As a result of these defaults, the debenture holders had the right to demand repayment of the full outstanding amount, as adjusted pursuant to the terms of the debentures. The default caused the principal balance of its outstanding debentures to increase 130%.

On October 15, 2015, concurrent with filing the Bankruptcy Petitions, SGB, as borrower, and its subsidiaries, as guarantors, entered into the DIP Credit Agreement with HCI, and, as condition to the making of the DIP Loan, SGB and its subsidiaries entered into the DIP Security Agreement, also dated as of October 15, 2015, with HCM pursuant to which SGB and its subsidiaries granted HCM a first priority security interest in all of their respective assets for the benefit of HCI. The DIP Loan had a maximum principal amount of $600,000, bore interest at a rate of 12% and was due and payable upon the earlier to occur of April 15, 2016 or other dates specified in the DIP Credit Agreement, and required SGB to pay a collateral fee of $25,000. The DIP Loan became due on April 15, 2016 but was not repaid until the Effective Date as described below. The funds advanced under the DIP Facility were used by SGB to fund its operation during the Bankruptcy Proceeding, including payment of professional fees and expenses. On the Effective Date and in accordance with the Plan, the DIP Facility was repaid in full and the related DIP Credit Agreement was terminated.

On the Effective Date, and pursuant to the terms of the Plan, SGB entered into the 2016 SPA, pursuant to which SGB sold for a subscription price of $2.0 million a 12% Original Issue Discount Senior Secured Convertible Debenture to HCI in the principal amount of $2.5 million, with a maturity date of June 30, 2018 (the "Exit Facility"). As described below, the Exit Facility is convertible at HCI's option at any time in whole or in part into shares of Common Stock at a ratio of 1 share for every $1.25 of debt. The Exit Facility will be used (i) to make a one hundred percent (100%) distribution for payment of unsecured claims in accordance with the Plan, (ii) to pay all costs of the administration of SGB's Bankruptcy, (iii) to pay all amounts owed under the DIP Facility and (iv) for general working capital purposes of SGB.

On the Effective Date, all Former Common Stock were deemed discharged, cancelled and extinguished, and, pursuant to our Plan, SGB issued, in the aggregate, 491,365 shares of New Common Stock to the holders of Former Common Stock, representing 7.5% of SGB's issued and outstanding New Common Stock, after taking into account full exercise of the Management Options and conversion of the New Preferred Stock but prior to any conversion of the Exit Facility, as of the Effective Date. Under the Plan, upon the Effective Date certain members of SGB's management were entitled to receive the Management Options to acquire an aggregate of 10%, or approximately 655,153 shares, of New Common Stock, on a fully diluted basis, assuming conversion of all of the Preferred Stock but not the Exit Facility. The Preferred Stock is convertible into New Common Stock on a 1:1 basis and, if converted on the Effective Date, would convert into 82.5% of the New Common Stock issued and outstanding on the Effective Date, after taking into account shares of New Common Stock issued to holders of the Former Common Stock and the exercise of the Management Options but prior to any conversion of the Exit Facility. The Exit Facility, in principal amount of $2.5 million, is convertible at HCI's option at any time in whole or in part into shares of New Common Stock at a ratio of 1 share for every $1.25 of debt. Conversion of the full principal amount of the Exit Facility ($2.5 million) would result in the issuance of an additional 2,000,000 shares of New Common Stock, which will dilute the percentage ownership of then-existing stockholders.

Also as described in the July 8-K, all general unsecured claims shall receive a distribution of one hundred percent of its allowed claim, plus post-petition interest calculated at the Federal judgment rate, payable as follows: fifty percent on the Effective Date, twenty five percent at the conclusion of the next full fiscal quarter after the Effective Date and the remaining twenty five percent, plus any post-petition interest owed, at the conclusion of the second full fiscal quarter after the Effective Date.

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

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

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

Off-Balance Sheet Arrangements

As of June 30, 2016 and December 31, 2015, the Company had no material off-balance sheet arrangements other than operating leases to which SG Building is a party.

In the ordinary course of business, SG Building enters into agreements with third parties that include indemnification provisions which, in its judgment, are normal and customary for companies in its industry sector. These agreements are typically with consultants and vendors. Pursuant to these agreements, SG Building generally agrees to indemnify, hold harmless, and reimburse the other parties for losses suffered or incurred by such parties with respect to actions taken or omitted by SG Building. The maximum potential amount of future payments SG Building could be required to make under these indemnification provisions is unlimited. SG Building has not incurred material costs to defend lawsuits or settle claims related to these indemnification provisions. As a result, the estimated fair value of liabilities relating to these provisions is minimal. Accordingly, the Company has no liabilities recorded for these provisions as of June 30, 2016.

Critical Accounting Policies and New Accounting Pronouncements

Critical Accounting Policies

Our condensed consolidated financial statements have been prepared with generally accepted accounting principles in the United States ("GAAP"), which require management to make estimates and assumptions that affect reported amounts. The estimates and assumptions are based on historical experience and on other factors that management believes to be reasonable. Actual results may differ from those estimates. Critical accounting policies represent the areas where more significant judgments and estimates are used in the preparation of our condensed consolidated financial statements. A discussion of such critical accounting policies, which include share-based payments, derivative instruments, and revenue recognition can be found in our Annual Report on Form 10-K, as amended, for the year ended December 31, 2015. There have been no material changes to the policies noted above as of the Quarterly Report on Form 10-Q for the period ended March 31, 2016 besides the following.

Goodwill – Goodwill represents the excess of reorganization value over fair-value of identified net assets upon emergence from bankruptcy. In accordance with the accounting guidance on 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 units below their carrying values.

Intangible assets – Intangible assets represent the preliminary assets identified upon emergence from bankruptcy and consist of $2,766,000 of proprietary knowledge and technology which is being amortized over 20 years and $1,113,000 of customer contracts which is being amortized over 2.5 years. The estimated amortization expense for the successive five years is as follows:

For the year ending December 31,:		
2017	$	583,500
2018		583,500
2019		138,300
2020		138,300
2021	$	138,300

Related Party Transactions

Transactions with Vector

On March 26, 2009, the Company entered into a $50,000 revolving credit promissory note (the "Revolver") with Vector Group Ltd. ("Vector"), the former controlling stockholder of the Company. On January 26, 2011, the Company and Vector entered into an amendment to the Revolver increasing the amount that the Company may borrow from $50,000 to $100,000. The loan bears interest at 11% per annum and was due on December 31, 2013. During January 2014, the Revolver was extended from December 31, 2013 to June 30, 2015. The Revolver is currently in default but the Company has obtained waivers from the Convertible Debenture holders in regards to a cross default provision outlined in the underlying agreements. As of June 30, 2016 and December 31, 2015, the balance due to Vector amounted to $73,500. In connection with the Plan the total amount including accrued interest due to Vector was adjusted to $100,000. As of June 30, 2016 and December 31, 2015, accrued interest related to the Revolver amounted to $26,500 and $43,301, respectively, and is included in accrued interest, related party on the accompanying condensed consolidated balance sheets. Due to the Company filing a voluntary petition for relief under Chapter 11 of Title 11 of the Bankruptcy Court, interest stopped accruing on October 15, 2015. Additional contractual interest through March 31, 2016 would have resulted in $3,773 of additional interest. Subsequent to March 31, 2016, in connection with the Plan, the Revolver was treated as an unsecured claim and paid in accordance with the Plan. Interest expense for other related party notes payable amounted to $2,044 and $4,065 for the three months and six months ended June 30, 2015, respectively.

ConGlobal Industries, Inc. is a minority stockholder of the Company and provides containers and labor on domestic projects. The Company recognized Cost of Goods Sold of $105,869 and $176,990, for services ConGlobal Industries, Inc. rendered during the three months ended June 30, 2016 and 2015 respectively. The Company recognized Cost of Goods Sold of $209,228 and $545,569, for services ConGlobal Industries, Inc. rendered during the six months ended June 30, 2016 and 2015 respectively. As of June 30, 2016 and December 31, 2015, $154,567 and $317,468, respectively, of such expenses are included in related party accounts payable and accrued expenses in the accompanying condensed consolidated balance sheets.

The Lawrence Group is a minority stockholder of the Company and is a building design, development and project delivery firm. As of June 30, 2016 and December 31, 2015, $52,683 of expenses were included in related party accounts payable and accrued expenses in the accompanying condensed consolidated balance sheets.

An affiliated accounting firm of the Company's former Chief Financial Officer provided accounting and consulting services to the Company. The Company recognized General and Administrative expenses in the amount of $10,000 and $42,000, respectively, for the three months and six months ended June 30, 2015.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 4. Controls and Procedures

(a) Disclosure Controls and Procedures.

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

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

Our management, including our Principal Executive Officer and Principal Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

In connection with the audit of our fiscal 2015 consolidated financial statements, our independent auditors identified certain significant deficiencies that together constitute a material weakness in our disclosure controls and procedures. These significant deficiencies primarily relate to our (i) difficulty in generating data in a form and format that facilitates the timely analysis of information needed to produce accurate financial reports, (ii) difficulty in applying complex accounting and financial reporting and disclosure rules required under GAAP and the SEC reporting regulations, and (iii) limited segregation of duties. These significant deficiencies together constitute a material weakness in our disclosure controls and procedures.

We have taken certain steps in an effort to correct these material weaknesses, including retaining the Chief Financial Officer who has significant experience with publicly-held companies. Although this is an important step towards improving the application of complex accounting principles, the preparation of financial reports and the segregation of duties, additional time is still required to fully implement additional internal controls procedures and test their operating effectiveness before we can definitively conclude that we have remediated our deficiencies. Because these remediation steps have not yet been completed, we have performed additional analyses and other procedures to ensure that our consolidated financial statements contained in this Quarterly Report were prepared in accordance with GAAP and applicable SEC regulations.

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

(b) Changes in Internal Control over Financial Reporting

Notwithstanding our remedial actions and integration of our financial reporting systems, there was no change in our internal control over financial reporting that occurred during the first quarter of 2016 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The description of our Bankruptcy Proceedings in Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations – Bankruptcy Proceedings is incorporated herein by reference.

Item 1A. Risk Factors

There have been no material changes from the risk factors disclosed in Part 1, Item 1A, of our Annual Report on Form 10-K, as amended, for the year ended December 31, 2015.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

The Revolver has matured and was in default. The Revolver was treated as an unsecured claim and Vector was paid $100,000 in accordance with the Plan.

On September 11, 2015, the Company failed to make a payment of interest that was due and payable on the 2014 Debentures and thus the outstanding principal amount increased by $1,247,310 to $5,405,010. Subsequent to September 30, 2015, in connection with the Plan, all of the outstanding debentures were converted into preferred stock in accordance with the Plan as disclosed Part I, Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations – Bankruptcy Proceedings.

See Part I, Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations – Bankruptcy Proceedings for a description of the Bankruptcy Proceedings and related transactions, including the cancellation of Prepetition Loan Documents (as defined in the July 8-K) and the issuance to holders of debt thereunder of one share of the New Preferred Stock for each dollar owed by the Company thereunder.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None

Item 6. Exhibits

4.1	Original Issue Discount Senior Secured Convertible Debenture due November 3, 2015. (Incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed August 11, 2015)
10.1	License Agreement, dated April 21, 2015, by and between the Company and Red Cardinal Holdings, Inc.. (Incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed April 27, 2015)
10.2	Securities Purchase Agreement, dated August 5, 2015, by and between the Company and Hillair Capital Investments, L.P.. (Incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed August 11, 2015)
10.3	Amendment Agreement, by and between the Company and the holders of the Company's securities issued pursuant to the Securities Purchase Agreement dated as of December 27, 2012 and the holders of the Company's securities issued pursuant to the Securities Purchase Agreement dated as of April 10, 2014., dated August 5, 2015. (Incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed August 11, 2015)
10.4	Subsidiary Guarantee, dated August 5, 2015, by and between the Company and all of the Subsidiaries of the Company. (Incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed August 11, 2015)
10.5	Security Agreement, dated August 5, 2015, by and between the Company, all of the Subsidiaries of the Company and the holders of the Company's Senior Secured Original Issue Discount Convertible Debentures named therein. (Incorporated herein by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K, filed August 11, 2015)
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.
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.

\+ **Transmitted herewith.**

SIGNATURE

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

SG BLOCKS, INC.
(Registrant)

Date: August 22, 2016

By: /s/ Mahesh Shetty
Mahesh Shetty
Chief Financial Officer
(Duly Authorized Officer and
Principal Financial and
Chief Accounting Officer)

Exhibit 31.1

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

I, Paul M. Galvin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SG Blocks, Inc.;

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(s) 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(s) 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.

August 22, 2016

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

Exhibit 31.2

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

I, Mahesh Shetty, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SG Blocks, Inc.;

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(s) 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(s) 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.

August 22, 2016

/s/ Mahesh Shetty
Name: Mahesh Shetty
Title: Chief Financial Officer

Exhibit 32.1

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 quarterly report of SG Blocks, Inc., (the "Company") on Form 10-Q for the period ended September 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paul M. Galvin, the Chief Executive Officer of the Company, and I, Brian Wasserman, the Chief Financial Officer of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief that:

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

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

August 22, 2016

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

August 22, 2016

/s/ Mahesh Shetty
Name: Mahesh Shetty
Title: Chief Financial Officer

This certification accompanies each Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended and, it is not to be incorporated by reference into any filing of the Company, regardless of any general incorporation language in such filing.

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.