

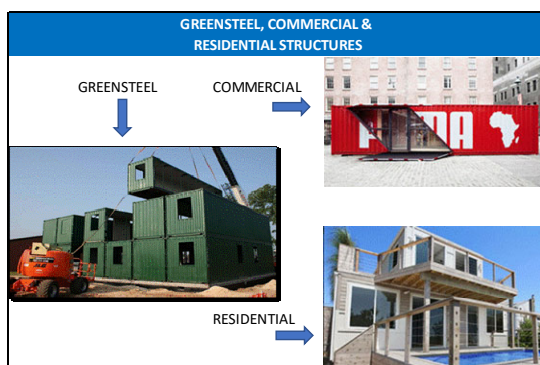


**SG Blocks, Inc.**

5011 Gate Parkway Building 100, Suite 100  
Jacksonville, FL 32256  
<https://www.sgblocks.com/>  
Phone: (833) SGBLOCK, (646) 240-4235

Ticker (Exchange)	(SGBX-NASDAQ)
Recent Price (09/14/2022)	\$2.15
52-week Range	\$1.50-4.80
Shares Outstanding	13.2 million
Market Capitalization	\$28.3 million
Average volume	27,800
Insider Ownership +>5%	5%
Institutional Ownership	19%
EPS (Qtr. ended 06/30/2022)	(\$0.11)
Employees	15 corporate/ 84 factory

**SGBX (NASDAQ One-year Stock Chart)**



**COMPANY DESCRIPTION**

SG Blocks, Inc. (“SG Blocks” or “the Company”) is a developer, designer, and fabricator of modular structures to meet the growing demand for safe and green construction. Using repurposed shipping containers, the Company transforms these modules into various forms of real estate, including homes, restaurants, retail shops, and more, worldwide. Since acquiring SG Echo in late 2020, SG Blocks’ focus has shifted into modular construction, focused on innovating and exploring the use of new materials to enhance its structures (where traditionally such building would be either enhanced with wood or light gauge steel). The Company’s products exceed many standard building code requirements and support developers, architects, builders, and owners in achieving faster execution, greener construction, and buildings of higher value. The Company currently owns and operates its main manufacturing campus in Durant, Oklahoma (SG Echo), which provides an internal means of controlling production. It also enables SG Blocks to expand the applications for the Company’s modules and affords the ability to vertically integrate a large portion of its cost of goods sold. Additionally, it increases margins, productivity, and efficiency in areas of design, estimating, manufacturing, and delivery. SG Blocks’ current manufacturing pipeline is estimated at \$750 million, largely driven by commercial clients and SGB Development Corp (SGB DevCorp), a wholly-owned subsidiary formed in February 2021 for the purpose of real property development using the Company’s technologies.

**KEY POINTS**

- Three of SG Blocks core product offerings utilize its GreenSteel™ (structural core and shell) technology and engineering expertise, including: (1) GreenSteel™, with units delivered to site and handed to a local general contractor (GC) to finish to specifications; (2) Partial Modular, with systems installed at an SG Blocks facility, and the balance on site by the GC; and (3) Full Modular, with SG Blocks delivering a fit-out product and erecting final units on site.
- SG Blocks has built modular structures for some of the leading companies in the U.S., including Verizon, Starbucks, Taco Bell, Puma, Lacoste, NBA, Equinox, and more.
- SG Blocks offers a turnkey solution to medical testing and treatment, with customizable space solutions for tests and/or any needed services, including COVID-19 testing. The Company has an agreement with a **CLIA†**-certified laboratory (Clarity Labs) to jointly market, sell, and distribute laboratory testing products and services.
- In August 2022, SG Blocks announced that SGB DevCorp had entered into a contract to sell a real estate property (Lago Vista) at full asking price. This sale is expected to create a significant return on investment, with closing anticipated in the fourth quarter 2022.
- SG Blocks’ management team has broad knowledge in the modular building industry, with a combined 130 years of experience in a wide range of construction applications, providing an advantage over its competition using market-based prototypes.
- At June 30, 2022, the Company’s cash and cash equivalents totaled \$2.4 million.

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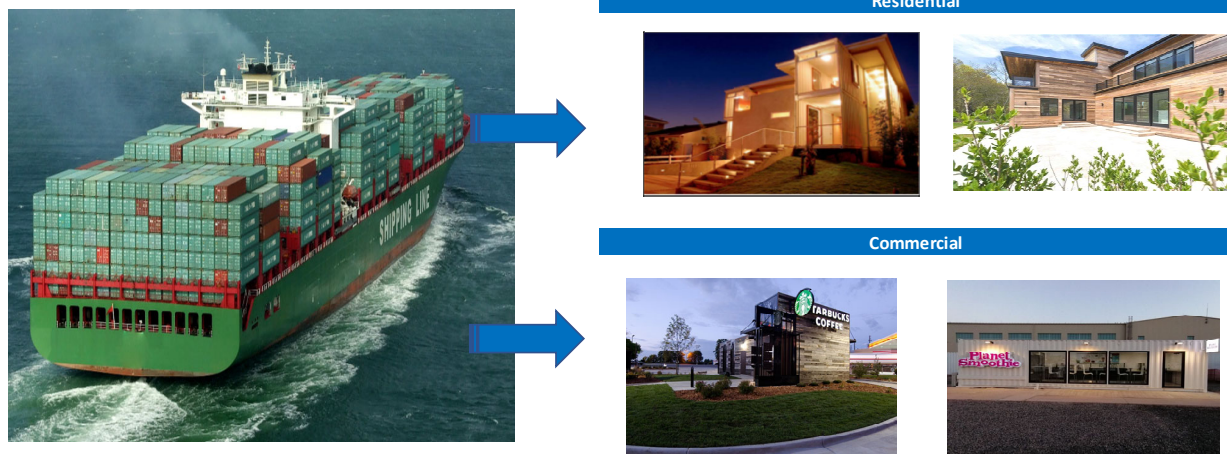
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## Executive Overview

### COMPANY OVERVIEW

SG Blocks, Inc. (“SG Blocks” or “the Company”) is a leading innovator in providing industry approved, code engineered cargo shipping containers for safe and green (“SG”) construction. As an alternative to using new steel and lumber, the Company’s cargo modified modules allow for the redesign, repurpose, and conversion of heavy-gauge steel cargo shipping containers into safe, green, building blocks (modules) that can be repurposed for use in a variety of commercial, industrial, and residential building construction (Figure 1). By creating a product that characteristically surpasses building code requirements, SG Blocks enables developers, architects, builders, and owners to achieve faster execution and stronger buildings for commercial and residential structures. SG Blocks is at the forefront of more sustainable, less expensive, and quicker-to-market solutions.

Figure 1  
CONTAINER-BASED PREFABRICATION: BEGINNING TO FINAL PRODUCT (COMMERCIAL AND RESIDENTIAL)



Source: SG Blocks, Inc.

### Turning Boxes Into Environments

SG Blocks was started by taking existing shipping containers and repurposing them. The World Shipping Council estimates that there are approximately 30 million unused shipping containers in the world. The Company’s proprietary engineering and technology take existing containers and turn them into modules for use in construction of homes, restaurants, and retail locations, among many other uses. Shipping containers are an incredible solution due to the minimal carbon footprint that is involved in repurposing them. Furthermore, they are hurricane and earthquake resistant. SG Blocks works with its clients to design the perfect environment and use for its proprietary building methods to deliver the finished product. Each container becomes a building block module that can be arranged in nearly any stacking configuration to create the spaces and volumes necessary. Mixing SG Blocks architectural innovation with its engineering expertise in stacking and arranging the modules, the shipping containers become interconnected and can be modified to suit specific building space requirements. Figure 2 summarizes the process of how SG Blocks turns boxes into environments.

Figure 2  
TURNING BOXES INTO ENVIRONMENTS

DEVELOP A PLAN	A plan is made.
CONTAINER CONSTRUCTION	SG Blocks preps and builds in its depots.
DELIVER TO SITE	Prefabrication or containers delivered.
ASSEMBLY	SG Blocks modules are erected on site.

Source: SG Blocks, Inc.

## Manufacturing

SG Blocks' business model previously consisted of transforming containers for third-party clients in various outsourced factories across the country. The Company has evolved considerably since then. Although the Company continues to do work for others, it now completes this work within its own manufacturing facilities, enabling SG Blocks to be completely vertically integrated, and affording greater flexibility for projects that the Company accepts. The Company currently has up to 1.3 million square feet of production space, either open or in development for either its own use or for third-parties. These new manufacturing lines are intended to produce the modules for SGB Development Corp (SGB DevCorp) and its medical segment (called Clarity Mobile Ventures). The Company's current manufacturing footprint holds three sites in Oklahoma (ECHO, Waldron, and McLean), and one in St. Marys (Georgia), with a brief summary of its main facility (SG ECHO) below. Each of the Company's manufacturing facilities is outlined on page 9 of this Executive Overview, with greater details presented on pages 30-32 in the Core Story.

### *Asset Purchase Agreement with ECHO DCL, LLC (one of SG Block's key supply chain providers)*

In September 2020, SG Blocks entered into an Asset Purchase Agreement with ECHO DCL, LLC, a container/modular manufacturer that had been a key supplier of the Company, to acquire substantially all the assets of ECHO (except for ECHO'S real estate holdings, for which the Company obtained a right of first refusal). Based in Durant, Oklahoma, SG ECHO is a 19-acre facility that specializes in the design and construction of permanent and temporary modular buildings, catering to the military, education, administration facilities, healthcare, government, commercial, and residential customers. This acquisition has enabled SG Blocks to expand its reach for the Company's modules and offers it a chance to vertically integrate a large portion of its cost of goods sold, as well as to increase margins, productivity, and efficiency in the areas of design, estimating, manufacturing, and delivery. Furthermore, this provides SG Blocks with greater control over the manufacturing process and the ability to increase its product offerings to include modules made out of wood.

During 2021, the Company began to focus on acquiring property to build multi-family housing communities that enable it to utilize the manufacturing services of ECHO. On April 1, 2022, SG ECHO announced that it had broadened its relationship with a private client, which is producing the Company's largest contract to date. The purchase order is for more than 100 units, with SG Blocks expecting to be able to generate approximately \$6 million dollars in revenue from this contract. The units are scheduled to be completed by the end of the third quarter 2022. The Company's manufacturing facilities position SG Blocks at the forefront of manufacturing resources. By controlling its own facilities, this higher capacity leads to less time needed for project delivery.

## ESR Approval

In April 2017, the ICC Evaluation Service, LLC (ICC-ES) granted SG Blocks an **Evaluation Service Report (ESR)** for the SG Blocks structural building materials. ESR approval indicates that the ICC-ES recognizes the suitability and technical capabilities of the SG Blocks structural building materials for use in compliance with the International Building Code and Residential Code, the California Building Code and Residential Code, and the Florida Building Code—Building and Residential. SG Blocks' ESR is expected to significantly expedite reviews and approvals by building departments and make the Company's container fabrication become more widely accepted within the construction industry.

## Target Markets and Customers

SG Blocks targets its construction products to a broad customer base, including contractors, home builders, building owners, and other resellers across the continental U.S. The Company also supplies its modules to the medical community (further detailed on pages 24-27). The target market for its use has been the new construction market in the U.S., where the modules have a particular application in a number of segments, including private developers, the U.S. military, government agencies, the Native American Community, and quick service restaurant (QSR) operators, among others (summarized in Figure 3). Greater details of the applications for medical/healthcare are provided within the Core Story on pages 24-27, commercial on pages 28-29, residential on pages 33-36, military on page 29, and electric vehicle (EV) on pages 29-30. A summary of these applications is provided in Figure 3.

Figure 3  
APPLICATIONS FOR MULTIPLE INDUSTRIES

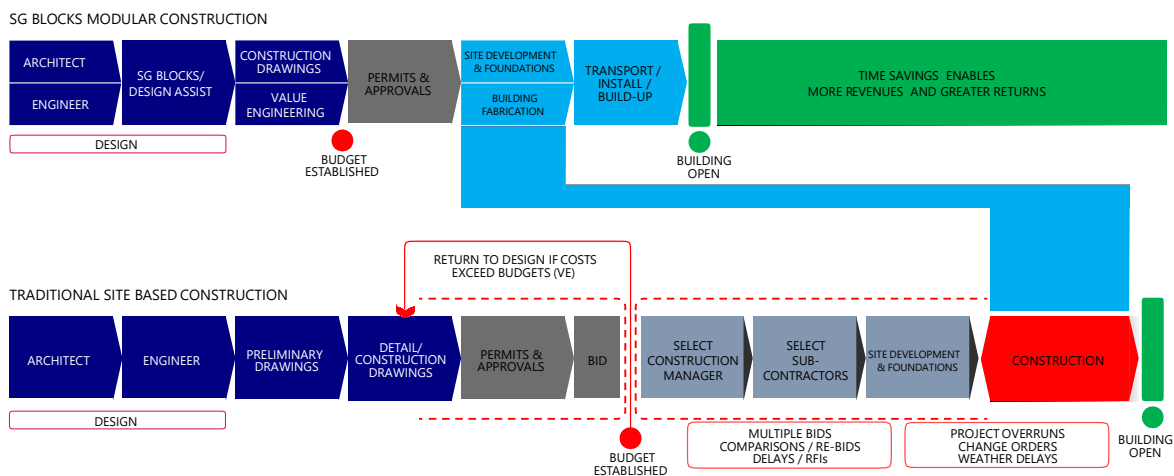
Commercial	Medical	Military	Education	Residential
<ul style="list-style-type: none"> <li>Hotel</li> <li>Office</li> <li>EV Charging</li> <li>Quick Serve</li> <li>Pop Ups</li> <li>Food &amp; Beverages</li> <li>Events &amp; Trade Shows</li> </ul>	<ul style="list-style-type: none"> <li>Office</li> <li>Testing Facilities</li> <li>Surgery Centers</li> <li>Mobile Testing Units</li> </ul>	<ul style="list-style-type: none"> <li>Government</li> <li>Infrastructure</li> <li>Generators</li> <li>Telecom</li> <li>Data Centers</li> </ul>	<ul style="list-style-type: none"> <li>Student Housing</li> <li>Campus Buildings</li> <li>Medical Testing Facilities</li> </ul>	<ul style="list-style-type: none"> <li>Multi Family</li> <li>Single Family</li> <li>Affordable Housing</li> <li>Senior Living</li> <li>Mid Rise Apartments</li> </ul>

Source: SG Blocks, Inc.

## How SG Blocks Accelerates Construction

SG Blocks accelerates the overall construction process using its modular building method. This makes the cycle approximately 45% faster and saves on loan interest, builders risk insurance, and general and liability insurance, among other areas, as depicted in Figure 4. A key reason the Company has chosen to focus on modular is because of its lower carbon footprint compared to traditional construction, as well as the speed with which SG Blocks is able to build. Because modules are built out of a factory, they are not subject to the same conditions as a traditional construction site. Moreover, modular construction reduces energy use, community noise, and other types of pollution.

Figure 4  
HOW SG BLOCKS ACCELERATES CONSTRUCTION



### SG BLOCKS' CONSTRUCTION CYCLE IS ~45% FASTER

EXPEDITED CONSTRUCTION CYCLE TRIGGERS SAVINGS ON: LOAN INTEREST, BUILDERS RISK INSURANCE, GENERAL LIABILITY INSURANCE AND MORE

Source: SG Blocks, Inc.

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## PRODUCTS PRODUCED WITH SG BLOCKS GREENSTEEL™ MODULAR TECHNOLOGY

SG Blocks is focused on making projects more affordable, efficient, and responsible. Containers and prefabricated modules are tough, strong, and can significantly reduce construction costs as well as decrease overall costs, specifically within the urban and mid-rise markets. SG Blocks is able to work with any façade used in the traditional construction industry, including limestone, stucco, shingles, brownstone, brick, and aluminum siding. The Company also works with standard or custom finishes and fits doors and windows to accommodate a customer's project. SG Blocks has delivered structures to its clients that range from simple to complex, with project costs based on the complexity of the design and scope of work the Company is contracted to perform.

Products built with SG Blocks' GreenSteel™ (the structural core and shell of an SG Blocks building) modular technology, design, and engineering expertise are generally stronger, more durable, environmentally sensitive, and erected in less time than traditional construction methods. Use of the Company's building structure typically provides between four to six points towards the **Leadership in Energy and Environmental Design (LEED)** certification levels, including reduced site disturbance, resource reuse, recycled content, innovation in design, and use of local and regional materials. Three of the Company's core product offerings utilize SG Blocks' GreenSteel™ technology and engineering expertise, as summarized below.

- **GreenSteel™.** The structural core and shell of an SG Blocks building, these units are delivered to site where they are handed over to a local general contractor (GC) to finish to specifications;
- **Partial Modular.** Selected materials, finishes, and systems are installed at an SG Blocks facility, with the balance completed on site by the GC; and
- **Full Modular.** SG Blocks delivers a fit-out product where the Company erects the final units on site and completes all trim outs and closure pieces so it is ready to occupy.

### *Other Modular Products*

SG Blocks also produces pre-fabricated modular containers, for both residential and commercial use, at SG ECHO using wood as the base material as an alternative of steel containers. Many clients have expressed a preference for a mix of wood and steel modules for their projects, wood for aesthetics and cost-savings, and steel for stability and durability. Since the acquisition of ECHO, roughly 75% of SG Blocks module sales have been for wood-based modules.

### **Healthcare**

SG Blocks offers a turnkey solution to medical testing and treatment, providing fast and efficient delivery of needed space for customizable tests and/or any need services, as described below.

- **Building.** Concept designs, full accident and emergency (A&E) services, fabrication documents, manufacturing, and installation;
- **Tests.** Polymerase chain reaction (PCR), antigen, antibody, opioids, diabetes, cancer, and general diagnostics; and
- **Services.** Sample collection units, examination rooms, X-ray and magnetic resonance imaging (MRI) rooms, operating rooms, dental clinics, and specialty units.

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### *Container Clinics and COVID-19: CLIA Mobile Lab*

In addition to being durable and cost-effective, shipping containers' versatility allows their use in a variety of applications. One trend that has emerged in the past few years (driven largely by the COVID-19 pandemic) is converting shipping containers into "pop-up" mobile medical clinics or hospitals. These facilities can provide medical care during health crises, natural disasters, or in the event another emergency strikes. Any type of natural disaster or man-made catastrophe can create demand for healthcare services that exceeds the supply. In these cases, the creation of temporary medical sites that can be deployed quickly and efficiently are needed to handle the additional medical care required by the victims.

A container clinic can be an efficient way to offer low-cost, high-quality healthcare to those in need. In particular, the COVID-19 pandemic has resulted in the need for testing, vaccination, and treatment sites to meet the excess demand brought by the disease, helping overcome geographic and capacity constraints of brick-and-mortar medical centers. As a result, multiple mobile clinics have been deployed nationwide to provide the necessary testing, vaccination, and healthcare. The Company's mobile Clinical Laboratory Improvement Amendments of 1988 (CLIA) lab is 40 feet and can be attached to a custom trailer solution with the ability to provide a full array of diagnostic testing (inclusive of COVID-19).

The Company has further supplied its modular COVID-19 testing centers and provided testing services to Los Angeles International Airport (LAX), and the Memorial Hospital in Wayne County, Michigan, and has been selected as a Trusted Testing Partner (TTP) for Hawaii's COVID-19 travel testing program.

### *Joint Venture with Clarity Lab Solutions, LLC*

In targeting the healthcare laboratory testing market, in September 2020, SG Blocks formed a joint venture with Clarity Lab Solutions, LLC, a Boca Raton, Florida manufacturer and market leader of rapid diagnostic tests, to launch CLIA-certified laboratories. The joint venture with Clarity Labs (Clarity Mobile Ventures) has allowed SG Blocks to supply its deployable technology line (or D-tec) of prefabricated health facilities to provide laboratory testing within its modules to accelerate speed of deployment and redeployment into underserved hot spots. SG Blocks' D-tec Suite is designed to meet the urgent global demand for safe and easily deployable medical response situations. Since the cost of transporting diagnostic testing samples is high, Clarity requires CLIA-certified labs that can be deployed at the point of collection. D-tec offers a uniquely efficient environment for testing collection and onsite deployable laboratory analysis.

### *Distribution Agreement With Sanitec Industries LLC*

In seeking to disrupt the medical waste industry to provide a safer and greener solution, SG Blocks announced in March 2022 that it had entered into a ten year exclusive distribution agreement with Sanitec Industries LLC, a sustainable waste management company that is the global patent holder for the Sanitec Microwave Healthcare Waste Disinfection System™ for the State of New York. The Sanitec Microwave Disinfection Unit (detailed on page 27) is designed to shred and disinfect biomedical waste, rendering the waste disinfected, unrecognizable, and of no greater risk to the public health than residential household waste.

### *Collaborative Process With The Teamsters Union 848*

In July 2022, SG Blocks announced that it is currently in the discovery and research phase with the Teamsters Union 848, the local Teamsters union in Long Beach, California, for a point-of-care COVID-19 testing module as well as an overarching wellness center for union members (detailed on page 27). The Teamsters, or the International Brotherhood of Teamsters (IBT), is a labor union in both the U.S. and Canada, which represents professional workers in public and private sectors alike. According to the U.S. Department of Labor, the union has roughly 1.2 million members. The goal of the project will be to increase diagnostic and general medical and wellness services for the union members.

## Commercial

Due to competition, brand engagement by companies is becoming more important than ever, as companies must be where their customers already are. Yet, building large new stores in untested locations is costly and marketing to bring customers to a specific location can be even more pricey. SG Blocks facilitates some of the world's largest retailers develop unique and engaging brand experiences with small footprints in the form of mobile 'pop-up' retail experiences. Key examples of some of SG Blocks' recent commercial projects include Verizon, Puma, Starbucks, Equinox, Lacoste, NBA Academy, and Taco Bell among others (Figure 5). SG Blocks' products have also been featured in several media outlets, including *Fortune*, *NY Times*, *NY Post*, *USA Today*, *CNN*, *Washington Post*, and more.

Figure 5  
THE MOST RECOGNIZED COMPANIES TRUST SG BLOCKS



Source: SG Blocks, Inc.

## Hospitality

SG Blocks entered into a fabrication agreement in July 2022 with Moliving Inc. ([www.moliving.com](http://www.moliving.com)), the world's first luxury nomadic hospitality solution that can pop up anytime and anywhere, providing a true luxury experience to its guests with minimal impact to the environment. Moliving Hotels can be fully self-sufficient with the use of solar power, **gray water recycling technology**, and integrated holding tanks, or can be installed on the grid in a matter of minutes. As well, they can be constructed in months versus years and at a fraction of the cost of traditional hotels. The fabrication agreement is valued at approximately \$15 million for an initial 60 units, all of which is expected to be sent to Moliving's Hurley House location, an eco-resort located in the Hudson Valley area (New York).

## Military

SG Blocks provides unique solutions for the U.S. military—everything from mobile offices for aircraft carriers in dock to new barracks for soldiers, with each solution tailored to the strict needs of the military while saving money. On June 29, 2022, the Company announced that SG ECHO was released from its design phase for its agreement with a leading contractor for a United States Military SCIF (Sensitive Compartmented Information Facility), with the project now moving to the production phase. SG ECHO is building the secured pre-fabricated facility for a government entity in-house. This contract, which is for \$767,682, commenced in October 2021 and is slated for completion in October 2022.

## EV Charging

In December 2021, SG Blocks partnered with Blink Charging (<https://blinkcharging.com/>), a leading owner, operator, and provider of electric vehicle (EV) charging equipment and services to offer even more sustainability and flexibility to the rapidly growing world of EVs. The Company has worked to create a 40 foot charging station in its containers, comprised of a solar-powered battery charged by integrated panels. This station is expected to provide EV drivers with access to eight of Blink's IQ 200 fast chargers to charge simultaneously, offering fast chargers for up to 65 miles of charge per hour each.



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## MANUFACTURING FACILITIES

The Company's current manufacturing footprint contains three sites in Oklahoma (ECHO, Waldron, and McLean), and one site in St. Marys (Georgia). Summaries of each facility are provided below and further detailed on pages 30-32.

- *SG ECHO (Durant, Oklahoma)*. Leading the growth of SG Blocks' manufacturing capabilities is the Company's 19-acre main facility located in Durant, Oklahoma. ECHO DCL is a container/modular manufacturer and current supplier to SG Blocks specializing in the design and construction of permanent modular and temporary modular buildings as well as legacy projects. The ECHO facility is tailored to meet the needs of major markets, including military, education, healthcare, government, commercial, and residential manufacturing. The facility offers increased productivity and efficiency in the areas of design, estimating, manufacturing, and delivery for all related projects.
- *SG Waldron*. As its second facility in Oklahoma, SG Waldron is 16-acre site with two full additional production lines used for SGB Development Corp. (SGB DevCorp) projects as well as certain commercial projects. The facility allows for greater flexibility in scheduling and creates improved efficiencies in every aspect of the manufacturing process. The Waldron facility is expected to double SG Blocks' manufacturing capacity and includes a contractual option to acquire the site upon completion.
- *McLean*. Expected to break ground beginning in the calendar year 2023, SG Blocks anticipates building approximately 300 residential units and up to 680,000 square feet of industrial manufacturing space on the mixed-use property. The residential units are being built to help meet some of the significant need for workforce housing due to the expansion of other employers in the region. Each residential unit is anticipated to average roughly 1,000-1,500 SF and offer one to three bedrooms. It is anticipated that residential units will be constructed alongside the SG Blocks-owned facility. With rapid population growth in the region, demand for industrial manufacturing space is significant.
- *St. Marys*. Located in a mixed-use residential site, this facility provides local manufacturing capabilities and greater ability to meet growing demand across SG Blocks' projects. The manufacturing campus is expected to be located at the former St. Marys airport site, with approximately 3,500 residential units planned. In August 2022, SG Blocks announced that the Company closed on its future St. Marys manufacturing campus. Current plans include a 114,000 square-foot manufacturing facility to support the Cumberland Inlet Project, with SG Blocks planning to employ roughly 125 people in the first three years.

## SGB DEVELOPMENT CORP. (SGB DEVCORP) PROJECTS

During February 2021, SG Blocks formed SGB Development Corp. (SGB DevCorp), a wholly-owned subsidiary, which was formed for the purpose of real property development using the Company's technologies. SGB DevCorp develops, co-develops, designs, builds, and finances single family and multifamily homes for purchase or rent in the U.S. The subsidiary is expected to provide a host of benefits to SG Blocks, which includes: (1) keeping manufacturing near 100% capacity to provide a steady and visible flow of manufacturing income; (2) participating in project fees; and (3) potential profit from asset sales.

With a large pipeline of opportunities, which includes approximately 4,100 homes and apartments (comprising about 3 million square feet of projects), the Company associates itself with highly experienced development and financial partners to target high-quality, moderately-priced housing, which is very scarce in most markets. The Company estimates the total manufacturing pipeline of all SGB DevCorp projects to be approximately \$750 million. Its projects have many of the following characteristics, where they are developed in **Special Purpose Entities (SPEs)** to isolate liability; they have land contributed as equity; and/or have secured financing. Summaries of each of the main projects are provided on page 10, with greater details provided on pages 33-35.

## Real Estate Developments

- *Lago Vista, Texas.* On May 10, 2021, the Company acquired a 58 acre waterfront site in Lago Vista, Texas for \$3.5 million in cash. On July 15, 2022, the Company's Board approved the sale and signed a letter of intent for the Company's Lago Vista development site. On August 16, 2022, the Company announced that SGB DevCorp had entered into contract for the sale of its Lago Vista property at full asking price to an unnamed buyer. The contracted sale is expected to generate a significant return on investment to the Company, with closing expected to occur in the fourth quarter 2022. SG Blocks expects to use the value attained from this sale to continue to grow the Company, while preventing any dilution to shareholders from future financings. As such, the Company does not foresee a need to access the capital markets in the near term as the sale of Lago Vista helps to bolster its balance sheet.
- *Norman Berry Village.* On May 31, 2021, SGB DevCorp acquired a 50% membership interest for \$600,000 in a limited liability company that is building affordable housing in the Atlanta, Georgia metropolitan area, to be known as "Norman Berry Village." SGB DevCorp has partnered with CMC Development Group, a New York City-based real estate development firm with national expertise providing design build services. SG Blocks expects the project to develop 125,000 square feet and build approximately 138 units at Norman Berry Village, with groundbreaking to begin in 2023.
- *JDI-Cumberland Inlet, LLC.* On June 24, 2021, SGB DevCorp entered into an operating agreement with Jacoby Development, Inc. (JDI), a Georgia corporation, for JDI-Cumberland Inlet, LLC, a Georgia limited liability company, pursuant to which SG Blocks acquired a 10% non-dilutable equity interest (LLC Interest) in JDI-Cumberland and agreed to contribute \$3 million in capital for the development of a 1,286 acre waterfront parcel in downtown historic St. Marys, Georgia. SGB DevCorp, in conjunction with Jacoby Development of Atlanta, expects to develop a mixed-use destination community. The closing on the 1,286-acre waterfront parcel occurred prior to the end of the second quarter 2021.
- *Durant Industrial Authority.* On November 10, 2021, SG Blocks entered into a Purchase Agreement with the Durant Industrial Authority to acquire 100% ownership of approximately 114 mixed-use acres in Durant, Oklahoma for \$865,000. The Company expects to build roughly 300 residential units and up to 680,000 square feet of industrial manufacturing space on the mixed-use property. The closing on the 114 mixed-use acres occurred in the first quarter 2022.
- *Monticello Mews.* Monticello Mews is a multi-family development project located in the Catskills region of New York. Upon completion, the development is expected to consist of 187 townhomes with one- and two-bedroom units, and amenities including a clubhouse, gym, and outdoor green spaces. The project is expected to be complete in the third quarter 2023.

## Land Appraisals

On September 12, 2022, SG Blocks announced that it had published four land appraisals relating to the Company's McLean, Norman Berry and Cumberland properties, and the planned St. Marys Industrial site located within the St. Marys Commerce Park, which is to serve as a new manufacturing facility for the Company (and in turn produce the Company's Cumberland Inlet project, a joint venture with Jacoby Development). Full details of the four appraisals can be found on the Company's website, under Company Information, with key information regarding full appraisals summarized in Figure 6 (page 11).

Figure 6  
FULL APPRAISALS FOR THREE SGB DEVELOPMENT CORP. SITES AS WELL AS THE ST. MARYS FACTORY

SITE	APPRAISAL DATE	PREPARED BY	APPRAISAL PREMISE	INTEREST APPRAISED	VALUE CONCLUSION
Cumberland Inlet	March 29, 2022	Cushman & Wakefield of North Carolina, Inc.	Market Value As-is	Fee Simple	\$3,375,000
			Prospective Market Value Upon Completion	Leased Fee	\$54,400,000
			Prospective Market Value Upon Stabilization	Leased Fee	\$57,400,000
McLean	August 24, 2022	Property Analytix, LLC	"As Is" Market Value – Apartment Site	Fee Simple Estate	\$3,700,000
			"As Is" Market Value – Industrial Business Park	Fee Simple Estate	\$16,240,000
Norman Berry Village	August 17, 2022	Property Analytix, LLC	"As Is" Market Value	Fee Simple Estate	\$5,580,000
St. Marys Industrial	August 10, 2022	Property Analytix, LLC	"As Is" Market Value of Land and Entitlements	Lease fee estimate	\$2,410,000

*Source: SG Blocks, Inc.*

Full appraisal of real property can be accessed through the links below.

- Cumberland Inlet (Source: Cushman & Wakefield of North Carolina, Inc.): <https://bit.ly/3xlmlsP>
- McLean (Source: Property Analytix, LLC): <https://bit.ly/3d80B2r>
- Norman Berry Village (Property Analytix, LLC): <https://bit.ly/3U6HKW1>
- St. Marys Industrial (Source: Property Analytix, LLC): <https://bit.ly/3eBjcnE>

### General Corporate Information

SG Blocks was incorporated in the State of Delaware on December 29, 1993 under the name CDSI Holdings, Inc. On November 4, 2011, CDSI Merger Sub, Inc., its wholly-owned subsidiary, completed a reverse merger with and into SG Building Blocks, Inc. (SG Building), with SG Building surviving the reverse merger as the Company's wholly-owned subsidiary. The Company primarily conducts its current operations through SG Building. Prior to its emergence from bankruptcy in June 2016, the Company's common stock was quoted on the OTC Bulletin Board.

In June 2017 and December 2019, SG Blocks completed public offerings of its common stock, which currently trades on the Nasdaq Capital Market under the symbol "SGBX." As of December 31, 2021, SG Blocks had eighteen full-time employees and engaged outside professional firms and subcontractors to deliver projects to customers; and SG ECHO directly employed sixty-nine full-time employees. The Company's principal offices are located at 5011 Gate Parkway, Building 100, Suite 100, Jacksonville, FL. SG Blocks also leases office space in Bedford, Texas of approximately 1,738 square feet to support ECHO'S procurement and accounting functions.

### Recent Financing Developments

On October 27, 2021, the Company closed a registered direct offering and concurrent private placement that it effected pursuant to a Securities Purchase Agreement with an institutional investor and received gross proceeds of \$11.55 million. Pursuant to the terms of the Purchase Agreement, SG Blocks issued to the investor: (a) in a registered direct offering (i) 975,000 shares of its common stock, par value \$0.01 per share, and (ii) pre-funded warrants to purchase up to 2,189,384 shares of Common Stock; and (b) in a concurrent private placement, Series A warrants to purchase up to 1,898,630 shares of Common Stock.

The Company has recently announced a share buyback to begin in August 2022.

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## Company Leadership

### MANAGEMENT

*Paul M. Galvin, Chairman and Chief Executive Officer (CEO)*

Paul M. Galvin was appointed as a director and the Company's CEO upon consummation of the reverse merger among CDSI Holdings Inc., CDSI Merger Sub, Inc., the Company, and certain stockholders of the Company on November 4, 2011. Mr. Galvin is a founder of SG Blocks, LLC, the predecessor entity of the Company. He has served as the CEO of the Company since April 2009 and as a director of the Company since January 2007. Mr. Galvin has been a managing member of TAG Partners, LLC ("TAG"), an investment partnership formed for the purpose of investing in the Company since October 2007. Mr. Galvin brings over 30 years of experience developing and managing real estate, including residential condominiums, luxury sales, and market rate and affordable rental projects. Prior to his involvement in real estate, he founded a non-profit organization that focused on public health, housing, and child survival, where he served for over a decade in a leadership position. During that period, Mr. Galvin designed, developed, and managed emergency food and shelter programs through New York City's Human Resources Administration and other federal and state entities. From November 2005 to June 2007, Mr. Galvin was Chief Operating Officer of a subsidiary of Yucaipa Investments, where he worked with religious institutions that needed to monetize underperforming assets. While there, he designed and managed systems that produced highest and best use analyses for hundreds of religious assets and used them to acquire and re-develop properties across the U.S. Mr. Galvin holds a Bachelor of Science in Accounting from LeMoyne College and a master's degree in Social Policy from Fordham University. He was formerly an adjunct professor at Fordham University's Graduate School of Welfare. Mr. Galvin previously served for 10 years on the Sisters of Charity Healthcare System Advisory Board and six years on the board of SentiCare, Inc. In 2011, the Council of Churches of New York recognized Mr. Galvin with an Outstanding Business Leadership Award.

*Bill Rogers, Chief Operating Officer (COO)*

Bill Rogers has served as the Company's COO since December 2020. Mr. Rogers has over 30 years of professional construction experience as lead superintendent. From April 2007 through December 2020, Mr. Rogers acted as the Construction Superintendent at Plaza Construction Corp. based out of New York City. As the Construction Superintendent, Mr. Rogers supervised and directed subcontractors while demonstrating strong leadership, communication, organizational, and time management skills. As part of his responsibilities, Mr. Rogers monitored costs, including labor and material, project schedule and progress, and coordinated the sequence of construction details.

*Cynthia Ervin, Human Resources Director*

Cynthia Ervin has served as Director of Human Resources for SG Blocks since April 2021. Ms. Ervin oversees both corporate and manufacturing employees, strategically creating recruitment and retention strategies, as well as planning, leading, directing, developing, and coordinating the policies set forth by her department. Ms. Ervin graduated from Austin College in Sherman, Texas with a Bachelor of Arts degree in economics and business in 2004. Ms. Ervin took her first HR position in October 2010 as a recruiter for a manufacturing plant and has not left the manufacturing environment since.

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## BOARD OF DIRECTORS

*Paul Galvin, Chairman and Chief Executive Officer*

Biography on page 12.

*Christopher Melton, Director*

Christopher Melton was appointed as a director of the Company upon consummation of the Merger on November 4, 2011. Mr. Melton is a licensed real estate salesperson in the State of South Carolina and until June 2019 was a principal of Callegro Investments, LLC, a specialist land investor investing in the southeastern U.S., which he founded 2012. Since June 2019, he has served as a specialist Land Advisor with SVN. Mr. Melton also serves on several public and private boards, including Jupiter Wellness, Inc. since August 2019 and has served since February 2018 as chief investment officer and analyst at TNT Capital Advisors, a capital advisory firm based in Florida. He also served as a sales agent as MSK Commercial Services, a commercial real estate company, from February 2018 to June 2019. From 2000 to 2008, Mr. Melton was a Portfolio Manager for Kingdon Capital Management (“Kingdon”) in New York City, where he ran an \$800 million book in media, telecom, and Japanese investment. Mr. Melton opened Kingdon’s office in Japan, where he set up a Japanese research company. From 1997 to 2000, Mr. Melton served as a Vice President at JPMorgan Investment Management as an equity research analyst, where he helped manage \$500 million in REIT funds under management. Mr. Melton was a Senior Real Estate Equity Analyst at RREEF Funds in Chicago from 1995 to 1997. RREEF Funds is the real estate investment management business of Deutsche Bank’s Asset Management division. Mr. Melton earned a Bachelor of Arts in Political Economy of Industrial Societies from the University of California, Berkeley in 1995. Mr. Melton earned Certification from University of California, Los Angeles’s Anderson Director Education Program in 2014.

*Yaniv Blumenfeld, Director*

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

*Maggie Coleman, Director*

Maggie Coleman is a Senior Managing Director and Co-Head of International Capital, Americas at Jones Lang LaSalle Incorporated, a Fortune 500 company, a position she has held since January 2020. In this role, Ms. Coleman leads a team that is primarily focused on cross-border capital deployment from global investors across Canada, EMEA, and Asia Pacific. Ms. Coleman is responsible for placing capital from international investors into JLL's direct transactions, structuring recapitalizations, and joint ventures, while also helping offshore capital acquire and finance JLL's global investment portfolios and large single asset sales. Ms. Coleman has been involved in over \$20 billion in transactions and has directed the JLL platform that has executed over \$53 billion in transactions since 2011, including over \$10 billion in loan sales in the US, Europe, and Asia. Further, Ms. Coleman is responsible for business development, client management, and the execution of global transactions, and is a frequent speaker on global capital flows in the real estate sector. Ms. Coleman also served in various other positions at JLL. Prior to the its merger with JLL in 2008, Ms. Coleman worked as a Director within the M&A Advisory Services group of Staubach Capital Markets, specializing in real estate structured financial solutions and investment banking. Ms. Coleman earned a master's degree from the University of Chicago in Political Economy and a bachelor's degree in business economics & public policy (BEPP) and international business from Indiana University's Kelley School of Business. Ms. Coleman is a council member of the Urban Development/Mixed-Use Council (UDMUC) at the Urban Land Institute. Commercial Property Executive named Ms. Coleman as a recipient of the "Rising Leader Award" for 2012. In 2012, Ms. Coleman also received the Catalyst Award from JLL for her achievements in team management. Ms. Coleman is affiliated with the Guild Board of the Boys & Girls Clubs of Chicago and is a member of the Board of Directors of the Jackson Chance Foundation.

*Joseph Safina, Director*

Joseph Safina was appointed as a director of the Company on May 28, 2021. Mr. Safina is a serial entrepreneur with over thirty years of experience in investment banking working with public and privately held small to mid-cap companies. Since 1997, Mr. Safina has been the principal of Safina Capital, an "all-stage" investment firm which offers its portfolio companies investment capital, strategic insight, global relationships, and operational support. He has been instrumental in helping his clients with large-scale fund-raising, merger & acquisitions, business development, marketing, and financial management. In 1988, Joseph Safina joined NYSE Member firm, Gruntal & Co., as a Senior Vice President. He was a top producer and was tasked with building Gruntal's Corporate Finance Department. He left Gruntal & Co. in 1993 and founded Nichols, Safina, Lerner & Co. Inc. (NSL), a New York-based broker dealer. As the CEO of NSL, he navigated the firm from a start-up into a 200 employee, multi-location company. Mr. Safina also headed up NSL's trading desk, making markets in hundreds of stocks and was profiled as one of the top ten Bankers in the country in R.J. Shook's "The Winners Circle". Mr. Safina has raced cars professionally for over ten years and has competed at the prestigious 24 Hours at Daytona, The 12 Hours of Sebring, and The 24 Hours of Dubai representing BMW, Ford, and Porsche with several IMSA podium finishes. He is also a pilot, scuba diver, and competitive cyclist.

*David Villarreal, Director*

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

### **SBG DEVELOPMENT CORP. ADVISORY BOARD**

SG Blocks announced in December 2021 that SGB Development Corp. (SGB DevCorp), a wholly-owned subsidiary of the Company, had formed the SGB DevCorp Advisory Board with a group of innovative leaders from various industries who plan to provide strategic counsel to SG Blocks' real estate development arm. SGB DevCorp currently has projects located in Oklahoma, Texas, Georgia, Maryland, Virginia, and New York, with plans to scale and expand. The current portfolio ranges from factories to workforce housing, residential developments, mixed-use communities, and townhomes.

The Advisory Board will consist of Kevin Rohani, the Head of Development for Accor's Lifestyle Hotels in North and Central America; Jordan Bem, the Founder and Chief Executive Officer of Moliving Inc.; Nancy Guzman, Development Director for the Housing Authority of Cook County; Ahmad Cory Jubran, Vice President of Originations at Bank OZK; and Eric Tate, a Principal Officer with Teamsters Local 848.

## Intellectual Property

SG Blocks operates under its United States registered trademarks “SGBlocks” and “GreenSteel™” and its trademarked “SG” logo.



## Core Story

### INDUSTRY OVERVIEW

The shipping container construction market entails the development of commercial and residential structures using cargo shipping containers. It typically involves the use of code-engineered cargo shipping containers for the creation of safe and sustainable construction solutions and structures. Container-based structures are easier to install, have a faster construction time, and require fewer materials than traditional buildings. In addition to being cost-effective, shipping containers are also versatile and can be used in a variety of structures, including:

- **Residential.** Shipping containers are being used for multiple residential applications, including single family homes, apartments, affordable student housing, job site housing, and labor/crew accommodations. For example, Amsterdam's Keetwonen (Figure 7), the world's largest shipping container housing complex, is a green and efficient low-cost student housing built per Europe's highest construction standards.

Figure 7  
AMSTERDAM'S KEETWONEN CONTAINER-BASED STUDENT HOUSING



Source: National Geographic.

- **Commercial.** The lower cost and construction speed advantages of shipping containers lend themselves to commercial applications, including the creation of office complex, flex offices, retail stores, exhibition booths, and temporary stores.
- **Military.** The portability and modularity of shipping containers provide significant advantages in military applications, including housing, training facilities, high-security storage spaces, and portable medical clinics.
- **Emergency and Disaster Relief.** Shipping containers can be used to create self-contained offices on wheels that act as mobile headquarters during emergency situations, such as natural disasters, provide temporary housing to victims and aid workers, and medical centers for healthcare services.
- **Public Spaces.** Shipping containers can be used to create large arenas, theaters, stadiums, libraries, recreational spaces, and much more.

## Market Dynamics

The global shipping container modification industry generated \$76.5 billion in 2019 and could reach \$114.6 billion by 2027 (Source: Allied Market Research' Shipping Container Modification Market by Size and: Global Opportunity Analysis and Industry Forecast, 2020–2027, 2021). There are five factors driving the future demand for container-based structures: (1) cost; (2) space constraints; (3) time requirements; (4) environmental considerations; and (5) government initiatives.

- (1) **Cost.** Cost is one of the main factors behind the expected growth of this industry. For example, maintenance costs for container homes are considered to be 20 times cheaper than concrete while also being 55% stronger than wood buildings. Furthermore, most construction utilizes old shipping containers, with more than 14 million out-of-service containers easily available at a low cost (Source: Persistence Market Research's Container Homes Market - Global Industry Analysis 2014 - 2018 and Forecast 2019 - 2029, 2019).
- (2) **Space constraints.** The growth in population and resulting need for new construction in large and developed urban areas, where space constraints are an issue, is also expected to boost the demand for compact and movable homes. Container-based structures (e.g., homes, offices, and stores) are smaller in size and require less space compared to conventional structures.
- (3) **Time requirements.** Structures built using containers can be constructed in a short period of time and require lower construction costs. Additionally, these structures are easy to install and relocate as they can be built in a factory and installed at the required location, or can be constructed directly at site according to the requirements.
- (4) **Environmentally friendly.** Another factor driving the acceptance of shipping container construction projects is the fact that these structures are considered environmentally friendly, as they are made from used containers, reducing the use of metal. Every time a 40-foot container is recycled and reused, close to 3,500 kilograms of steel are reused, which would otherwise be melted down.
- (5) **Government initiatives.** In addition to customer acceptance, the green aspect of container construction further results in supportive government initiatives toward green building concepts. Multiple governments in many developed regions and countries, including Europe and Canada, have formulated initiatives focused on designing, building, and operating structures following a green building concept (Source: Allied Market Research's Container Homes Market: Global Opportunity Analysis and Industry Forecast, 2018 – 2025, 2019). One example of these initiatives is the affordable housing program in Alberta, which received \$10 million from the federal government. The program is aimed at using repurposed shipping containers to build houses (Source: The Business Research Company's Container Houses Global Market Report 2021, 2021).

SG Blocks' mission is to build the best-in-class, safe, green modular construction building structures, as further detailed in the accompanying sections.

## COMPANY OVERVIEW

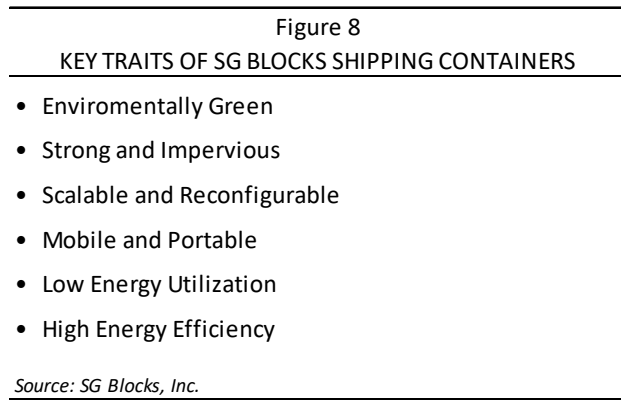
SG Blocks is a leading developer, designer, and fabricator of modular structures and facilities (modules) within the shipping container construction market to meet the growing demand for safe and green construction. Prior to the COVID-19 pandemic, its modules were mainly targeted for retail, restaurant, and military use and manufactured by third party suppliers using the Company’s proprietary technology, design, and engineering expertise—modifying code-engineered cargo shipping containers and purpose-built modules for use in safe and sustainable commercial, industrial, and residential building. In March 2020, in response to the COVID-19 pandemic, SG Blocks expanded its reach to focus on providing its modules as healthcare facilities for deployable medical response solutions. The Company’s purpose built, pre-fabricated modules are constructed using shipping containers and enhanced by wood and steel. These modules are built with the foundation of making the project more affordable, efficient, and sustainable.

The Company’s core customer base consists of architects, landowners, builders, and developers using SG Blocks’ modules in commercial and residential structures. Its cargo modified modules allow for the redesign, repurpose, and conversion of heavy-gauge steel cargo shipping containers into safe, green, building blocks for commercial, industrial, and residential building construction. The Company’s technology and expertise is also used to purpose-build modules, or prefabricated steel modular units customized for use in construction to augment or complement a module structure.

### Service and Deliverables

Shipping containers are made of **Cor-Ten steel**. Each container and its floor structure are built to hold a 60,000 lb. payload on each container floor, and can be stacked up to nine units high. There are roughly 20 million containers in the world or about 30 million TEU (Twenty Foot Equivalent Unit), which is the measurement for containers (1x 40’ = 2 TEU). There are roughly 5.5 million 40’ standards, 7 million 40’ HC units, and 5.5 million 20’ units. While there are numerous size and type applications of intermodal containers, the cornerstone of the SG Blocks Building System is the dry freight container, which comes in standard heights (8’6”) for 20’ and 40’ units with 40’ units also available in high cubes (9’6”), noting that the high cube containers are the ones most suitable for construction.

The U.S. is suffering from a massive housing problem at almost all income levels. One of the reasons for this is that traditional construction costs are so high as there has been no recent innovation in the construction industry. SG Blocks is focused on making projects more affordable, efficient, and responsible. Containers and prefabricated construction alternatives are tough, strong, and can reduce construction time by up to 40% as well as reduce costs, specifically within the urban and mid-rise markets. Furthermore, according to the National Equipment Register, the construction industry faces billions in theft problems related to equipment and materials arriving at building sites. SG Blocks’ modules prevent theft since they arrived at site ready to be assembled in a short amount of time compared to traditional construction. Key traits of the Company’s shipping containers are summarized in Figure 8.



SG Blocks is able to work with any façade used in the traditional construction industry, including limestone, stucco, shingles, brownstone, brick, and aluminum siding. The Company further works with standard or custom finishes throughout and fits doors and windows to accommodate a customer’s project. With regard to module foundations, there is no difference between conventional construction and container-based construction in terms of footings, where any type of foundation system used in a particular area that is dictated by the subsurface soil conditions can be utilized. In terms of pricing, SG Blocks has delivered structures to its clients that range from simple to complex. The entry level product, GreenSteel™ begins at \$30 per square foot for a simple one story application and increases in proportion for mid-rise, elevated, and sprinkled structures. As well, costs increase based on the complexity of design and scope of work the Company is contracted to perform.

## Target Markets and Customers

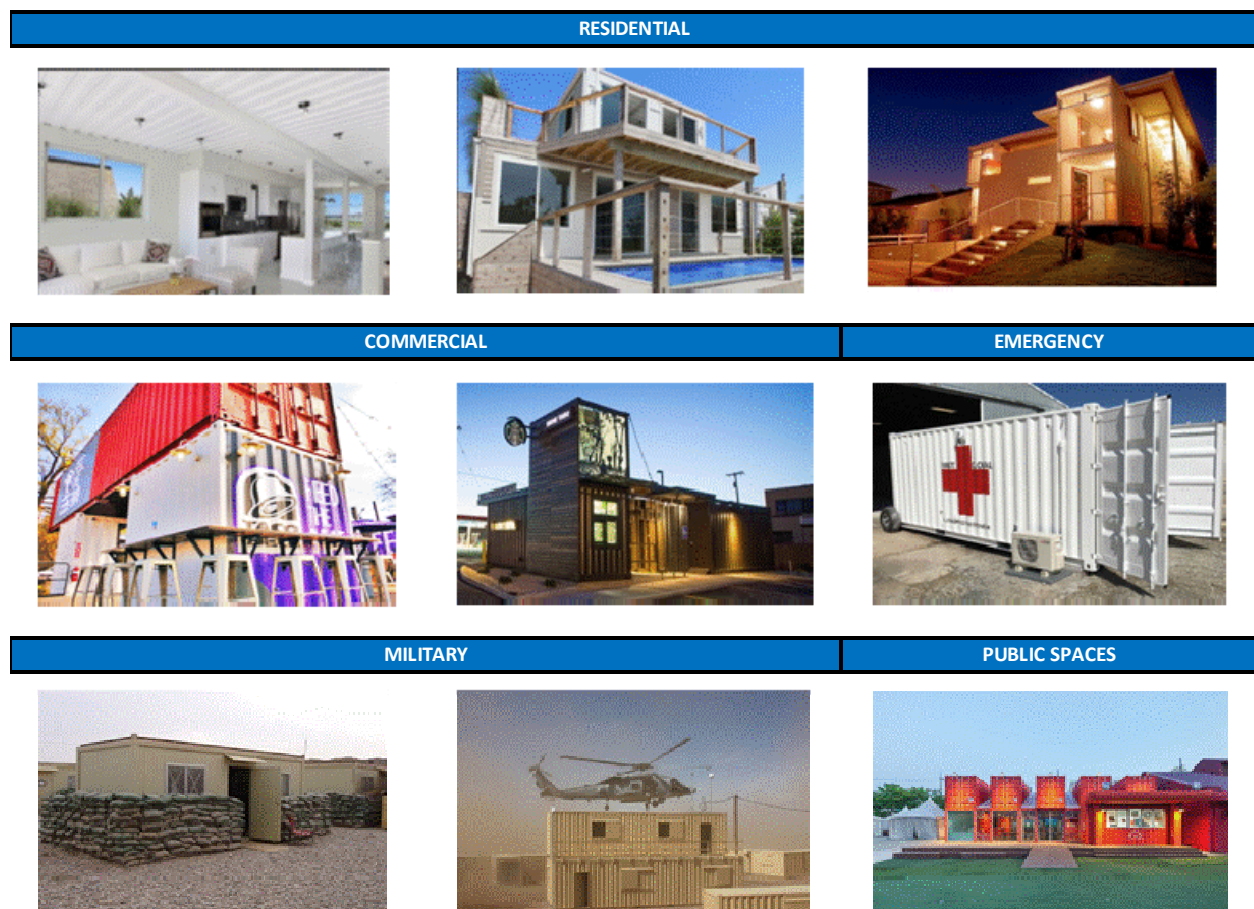
SG Blocks targets its construction products to a broad customer base, including contractors, home builders, building owners, and other resellers across the continental U.S. and also sells its services and technology to customers in Canada. The Company further supplies its modules to the medical community. The target market has been the new construction market in the U.S., where the modules have a particular application in a number of segments, including private developers, the U.S. military, government agencies, the Native American Community, and quick service restaurant (QSR) operators, among others, as summarized in Figures 9 and 10. Greater details regarding the applications for healthcare, commercial, residential, military, and EV are provided in accompanying sections.

Figure 9  
APPLICATIONS FOR MULTIPLE INDUSTRIES

Commercial	Medical	Military	Education	Residential
<ul style="list-style-type: none"> <li>• Hotel</li> <li>• Office</li> <li>• EV Charging</li> <li>• Quick Serve</li> <li>• Pop Ups</li> <li>• Food &amp; Beverages</li> <li>• Events &amp; Trade Shows</li> </ul>	<ul style="list-style-type: none"> <li>• Office</li> <li>• Testing Facilities</li> <li>• Surgery Centers</li> <li>• Mobile Testing Units</li> </ul>	<ul style="list-style-type: none"> <li>• Government</li> <li>• Infrastructure</li> <li>• Generators</li> <li>• Telecom</li> <li>• Data Centers</li> </ul>	<ul style="list-style-type: none"> <li>• Student Housing</li> <li>• Campus Buildings</li> <li>• Medical Testing Facilities</li> </ul>	<ul style="list-style-type: none"> <li>• Multi Family</li> <li>• Single Family</li> <li>• Affordable Housing</li> <li>• Senior Living</li> <li>• Mid Rise Apartments</li> </ul>

Source: SG Blocks, Inc.

Figure 10  
SHIPPING CONTAINER BUILDING APPLICATIONS



Sources: SG Blocks, Inc., constructionexec.com, armymomstrong.com, Discover Containers, and inhabitat.com.

## Manufacturing and Assembly Process

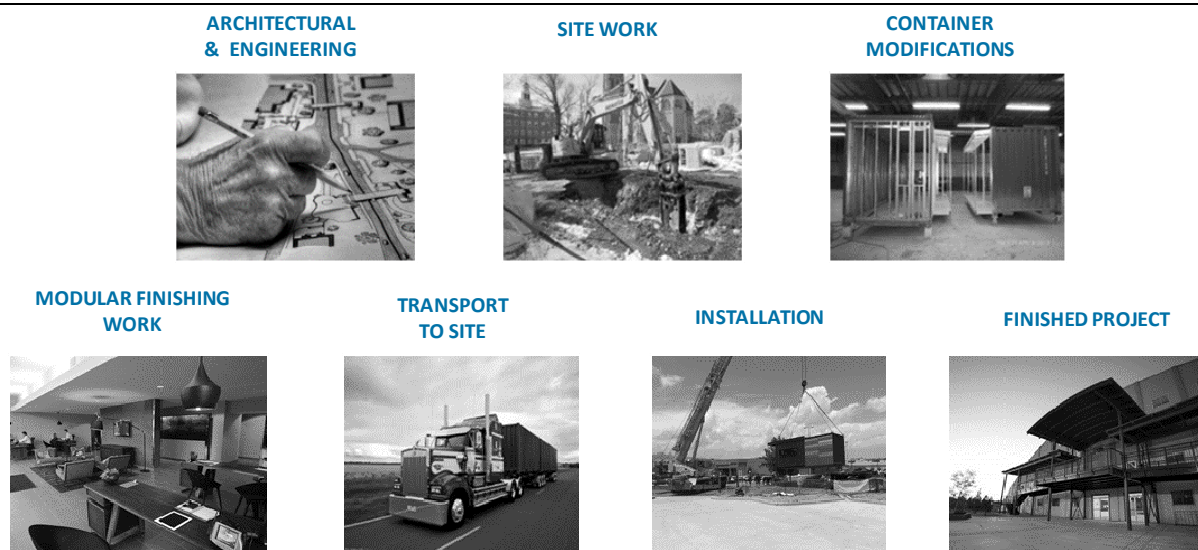
### *Asset Purchase Agreement with ECHO DCL, LLC (one of SG Block's key supply chain providers)*

In September 2020, SG Blocks entered into an Asset Purchase Agreement with Echo DCL, LLC, a container/modular manufacturer that had been a key supplier of the Company, to acquire substantially all the assets of ECHO (except for ECHO'S real estate holdings for which the Company obtained a right of first refusal). On September 23, 2020, SG Blocks, SG ECHO, and ECHO DCL completed the transactions as contemplated by the Asset Purchase Agreement.

Based in Durant, Oklahoma, SG ECHO specializes in the design and construction of permanent and temporary modular buildings, catering to the military, education, administration facilities, healthcare, government, commercial, and residential customers. This acquisition has enabled SG Blocks the ability to expand its reach for the Company's modules and offers it a chance to vertically integrate a large portion of its cost of goods sold, as well as increase margins, productivity, and efficiency in the areas of design, estimating, manufacturing, and delivery. Furthermore, this acquisition affords SG Blocks greater control over the manufacturing process and the ability to increase its product offerings to include modules made out of wood. During 2021, the Company began to focus on acquiring property to build multi-family housing communities that enable it to utilize the manufacturing services of ECHO. On April 1, 2022, SG ECHO announced that it had broadened its relationship with a private client, which is producing the Company's largest contract to date. The purchase order is for more than 100 units, with SG Blocks anticipating being able to generate approximately \$6 million dollars in revenue from this contract. The units are scheduled to be completed by the end of the third quarter 2022.

The Company's manufacturing facilities position SG Blocks at the forefront of manufacturing resources, with its industry-leading processes and machinery. SG Blocks owns or has planned for approximately 1.3 million square feet of manufacturing space to be developed, operated, or leased. By controlling its own facilities, this higher capacity leads to less time needed for project delivery. Figure 11 summarizes of the process from beginning to finished product.

Figure 11  
THE PROCESS



Source: SG Blocks, Inc.

## **ESR Approval**

In April 2017, the ICC Evaluation Service, LLC (ICC-ES) granted SG Blocks an Evaluation Service Report (ESR) for the SG Blocks structural building materials. The Company believes that they are the first modular building company to receive such certification. ESR approval indicates that the ICC-ES recognizes the suitability and technical capabilities of the SG Blocks structural building materials for use in compliance with the International Building Code and Residential Code, the California Building Code and Residential Code, and the Florida Building Code—Building and Residential. SG Blocks' ESR is expected to significantly expedite reviews and approvals by building departments and make the Company's container fabrication become more widely accepted within the construction industry. The Company's specifying designers, architects, builders, installers, and customers rely on its ESR mark stamped on each of its bids and deliveries to customers. The purpose of the ESR is to verify that all criteria for AC 462 have been reviewed and accepted.

The ESR is site-specific; where only the inspected and approved facilities can place the ICC-ES mark on the containers. The Company sources or fabricates its SG Blocks from 18 facilities located throughout the continental U.S. The ICC-ES has currently approved six of these facilities to place the ICC-ES medallion and expects to pursue ICC-ES approval for additional facilities, with each of these facilities undergoing an annual inspection by ICC-ES. Currently, each of these facilities has been re-certified by ICC-ES and is current with their recertifications. All SG Blocks manufactured at these facilities have an ESR medallion that validates the quality control process.

## PRODUCTS PRODUCED WITH SG BLOCKS GREENSTEEL™ MODULAR TECHNOLOGY

Products built with SG Blocks’ GreenSteel™ modular technology, design, and engineering expertise are generally stronger, more durable, environmentally sensitive, and erected in less time than traditional construction methods. Use of the Company’s building structure typically provides between four to six points towards the Leadership in Energy and Environmental Design (LEED) certification levels, including reduced site disturbance, resource reuse, recycled content, innovation in design, and use of local and regional materials. Depending on the type of project, SG Blocks has the ability to ship its modules out fully finished, partially finished, or just as the shell to be finished on site locally. This enables the Company to be more efficient since while site work is being completed and the foundation is poured, SG Blocks is already creating the modules in its factory. Three of the Company’s core product offerings utilize SG Blocks’ GreenSteel™ technology and engineering expertise, as summarized below and illustrated in Figure 12.

- (1) **GreenSteel™.** The first product offering involves GreenSteel™ modules, which are the structural core and shell of an SG Blocks building. The Company procures the containers, engineer required openings with structural steel enforcements, paints the containers, and then delivers them on-site, where the customer or a customer’s general contractor (GC) completes the entire finish out and installation.
- (2) **Partial Modular.** The second product offering involves replicating the process to create the GreenSteel™ product and, in addition, installing selected materials, finishes, and systems (including floors, windows, doors, interior painting, electrical wiring and fixtures, plumbing outlets and bathrooms, and roofing system) and delivering SG Blocks pre-fabricated containers to the site for a third party licensed GC to complete the final finish out and installation.
- (3) **Full Modular.** The third product offering is the completely fabricated and finished SG Blocks building (including floors, windows, doors, interior painting, electrical wiring and fixtures, plumbing outlets and bathrooms, roofing systems), including erecting the final unit on site and completing any other final steps. The building is ready for occupancy and/or use as soon as installation is completed.

Figure 12  
PRODUCTS



Source: SG Blocks, Inc.

### Other Modular Products

SG Blocks further produces pre-fabricated modular containers for both residential and commercial use with wood as the base material as an alternative of steel containers. Many clients have expressed a preference for a mix of wood and steel containers for their projects, wood for aesthetics and cost-savings, and steel for stability and durability. Since the acquisition of ECHO, roughly 75% of SG Blocks module sales have been with wood-based modules.

## Healthcare

During the COVID-19 pandemic, SG Blocks was able to capitalize on the opportunity to utilize its industry's leading products to serve the nation's healthcare needs, which led to the creation of its medical reporting segment. The Company has always viewed point-of-care testing as something that is revolutionary and during COVID, they were given the chance to provide a pilot for point-of-care medicine. SG Blocks offers a turnkey solution to medical testing and treatment, providing fast and efficient delivery of needed space solutions for customizable tests and/or any need services, as described below:

- **Building.** Concept designs, full accident and emergency (A&E) services, fabrication documents, manufacturing, and installation;
- **Tests.** Polymerase chain reaction (PCR), antigen, antibody, opioids, diabetes, cancer, and general diagnostic; and
- **Services.** Sample collection units, examination rooms, X-ray and MRI rooms, operating rooms, dental clinics, and specialty units.

### *Container Clinics and COVID-19*

The COVID-19 pandemic has highlighted the need for novel strategies to expand vaccine coverage. This is shown in the initial response to the pandemic. Despite projections that 20 million Americans would have been vaccinated by the end of 2020, only 2.8 million—less than 15% of the target number, were actually vaccinated by that time. The success of vaccination programs is dependent on three factors: (1) vaccine effectiveness, (2) vaccine availability, and (2) willingness to be vaccinated. Limited healthcare access in some underserved populations, in conjunction with vaccine hesitancy derived from lack of reliable information, has led to reduced vaccine uptake that diminishes the effectiveness of vaccination programs. According to the Centers for Disease Control and Prevention (CDC), about 17% of patients do not have a regular location to access healthcare services. This not only leads to a lack of vaccination options, but also an inability to obtain the right education when it comes to vaccine inquiries.

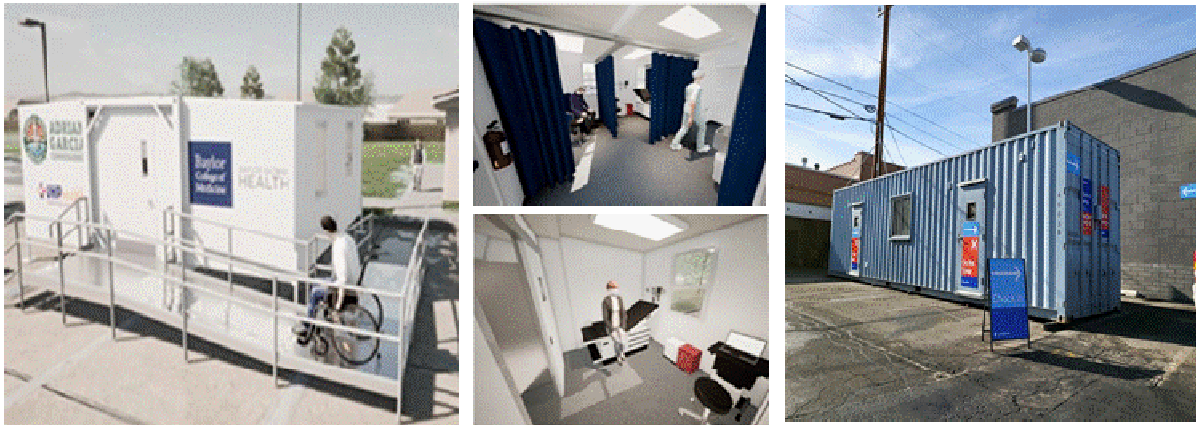
Portable clinics can solve these issues as they can provide high-quality healthcare services to at-risk populations. A growing body of research supports the fact that mobile health clinics are a valuable and cost-effective model to deliver healthcare for a variety of clinical applications, including vaccination. In fact, the utility of relocatable clinics has been shown to help in the testing, vaccination, and treatment of COVID-19 in different locales. This includes providing primary care and COVID-19 testing to migrant farm workers in Iowa; monoclonal antibody infusion to patients in nursing homes and long-term care facilities; and COVID-19 testing in a disadvantaged Baltimore neighborhood. Portable clinics have been shown to be an effective solution that can provide a safe and convenient location for not only vaccination and treatment of COVID-19, but also up-to-date education to reduce vaccine hesitancy and improve COVID-19 vaccine uptake (Source: Vaccines, Vol.9 (11): 1362, 2021).

### *CLIA Mobile Lab*

In addition to being durable and cost-effective, a shipping container's versatility allows their usage in a variety of applications. One trend that has emerged in the past few years (driven largely by the COVID-19 pandemic) is converting shipping containers into "pop-up" mobile medical clinics or hospitals (Figure 13, page 25). These facilities can provide medical care during health crises, natural disasters, or in the event another emergency strikes. The disaster relief segment is expected to register the fastest growth within the shipping container modification market from 2020 to 2027 (Source: Allied Market Research' Shipping Container Modification Market by Size and: Global Opportunity Analysis and Industry Forecast, 2020–2027, 2021).



Figure 13  
SHIPPING CONTAINER AS MOBILE CLINICS



Sources: Vaccines, Vol.9 (11): 1362, 2021, and Inlander.com.

Any type of natural disaster or man-made catastrophe can create demand for healthcare services that exceeds the supply. In these cases, the creation of temporary medical sites that can be deployed quickly and efficiently are needed to handle the additional medical care required by the victims. The Company's mobile Clinical Laboratory Improvement Amendments of 1988 (CLIA) lab is 40 feet and can be attached to a custom trailer solution with the ability to provide a full array of diagnostic testing (inclusive of COVID-19, as shown in Figure 14). A container clinic can be an efficient way to offer low-cost, high-quality healthcare to those in need. In particular, the COVID-19 pandemic resulted in the need for testing, vaccination, and treatment sites to meet the excess demand brought by the disease, helping overcome geographic and capacity constraints of brick-and-mortar medical centers. As a result, multiple mobile clinics have been deployed nationwide to provide the necessary testing, vaccination, and healthcare.

Figure 14  
HIGH-COMPLEXITY MOBILE CLIA-CERTIFIED LABORATORIES



Source: SG Blocks, Inc.

While COVID-19 and emergency-related applications dominate the use of these structures, the container medical units can be used for other medical purposes due to their design flexibility, including ICU, exam/treatment, laboratory/testing, quarantine/isolation, or just surge space for non-critical patients. Other uses may include youth sports complexes, race sites (e.g., triathlons, marathons, or cycling events), or any other event that requires temporary first-aid or medical sites.

#### Benefits of Using Mobile Clinics Made from Shipping Containers

A key benefit to using mobile clinics made from shipping containers is that a container clinic can be easily deployed and quickly activated wherever it is needed, and stay on-site as long as needed. This allows healthcare providers to provide the necessary care in a timely and cost-efficient manner. In particular, the creation of container clinics or medical sites provide the following advantages:

- Can be pre-designed and pre-built to meet different specifications and needs, allowing them to be set up in less than a week, and bypassing the long time required for a traditional facility to be built;
- Can be custom designed with the necessary medical equipment to meet the specific demands of different scenarios, whether for emergency situations, pandemic related care, or other situations. The same shipping containers can also be expanded or restructured in a quick and cost-efficient manner to suit different needs over a varied range of medical services;

- Can be easily transported. Once the clinic is not needed in its current location, the same shipping container can be relocated, allowing medical personnel to activate a clinic, provide services to those in need, and move to the next location; and
- The steel construction results in durable structures that can withstand severe conditions, providing protection against extreme weather conditions, fire, temperature variations, and wear and tear from handling and shipment.

*Joint Venture with Clarity Lab Solutions, LLC*

In targeting the healthcare laboratory testing market, in September 2020, SG Blocks formed a joint venture with Clarity Lab Solutions, LLC (<https://claritylabsolutions.com>), a Boca Raton, Florida manufacturer and market leader of rapid diagnostic tests, to launch CLIA-certified laboratories. The joint venture with Clarity Labs, called Clarity Mobile Ventures, has allowed SG Blocks to supply its deployable technology line (or D-tec) of prefabricated healthcare facilities to provide laboratory testing within its modules to accelerate speed of deployment and redeployment into underserved hot spots. SG Blocks' D-tec Suites are designed to meet the urgent global demand for safe and easily deployable medical response situations. Since the cost of transporting diagnostic testing samples is high, Clarity requires CLIA-certified labs that can be deployed at the point of collection. D-tec offers a uniquely efficient environment for testing collection and onsite deployable laboratory analysis. As a part of this partnership, the Company has supplied its building modular coronavirus testing centers and provided testing services, as described below.

Figure 15  
CLARITY LAB SOLUTIONS (LAX AIRPORT)



Source: SG Blocks, Inc.

- *Los Angeles International Airport (LAX)*. On November 12, 2020, Clarity Mobile Venture entered into a contract with the City of Los Angeles for the operations of a COVID-19 PCR Test Laboratory at LAX to provide a full-service modular COVID-19 laboratory and testing facility onsite at Los Angeles International Airport (LAX) located across the street from Terminal 6. This facility (Figure 15) conducts PCR tests with results available within three hours for passengers and airline crew, and no later than 24 hours for LAX airport employees. Other rapid coronavirus tests, including antigen tests, were deployed at LAX in 2021.
  - On July 7, 2022, the Company announced that Clarity Mobile Venture was extending its contract with LAX for COVID-19 testing through December 31, 2022.
- *Hawaii's COVID-19 travel testing program*. On November 16, 2020, SG Blocks announced that the State of Hawaii had selected Clarity Labs and Clarity Mobile Venture to provide COVID-19 testing and clinical laboratory at LAX for testing of passengers travelling between Los Angeles and Hawaii.
- *Chicago Airport Testing LLC (CAT)*. In January 2021, the Company and other third parties formed Chicago Airport Testing LLC (CAT), for the marketing, selling, distributing leasing, and otherwise commercially exploiting certain products and services within the COVID-19 testing and other medical industry. CAT collected rental revenue from subleasing to a consortium of government entities assisting in COVID-19 testing. The consortium of government entities exercised their rights to vacate in third quarter 2021 and CAT has ceased operations. For the year-end December 31, 2021, SG Blocks recognized approximately \$31.4 million in revenue related to activities through these joint ventures, which is included in medical revenue on the Company's year-end 2021 consolidated statements of operations.

*Joint Development Agreement with Grimshaw Design, LLC*

On May 27, 2020, SG Blocks entered into a Joint Development Agreement with Grimshaw Design, LLC, a firm engaged in architecture, planning, and industrial design to assist with deploying SG Blocks’ D-Tec suite of prefabricated healthcare facilities for on-site immediate COVID-19 testing. The agreement is to develop a prototype and “proof of concept” for a scalable, customizable, and rapidly deployable medical facility with laboratory systems, testing booths, spaces for in-patient and out-patient care, and/or other medical care units based upon Grimshaw’s designs and utilizing SG Block’s container-based or other modular structures, or pre-fabricated modular structures jointly developed by the Company as well as by Grimshaw.

On July 6, 2020, SG Blocks expanded its relationship with Grimshaw, with another Joint Development Agreement to develop a prototype and “proof of concept” for a scalable, customizable, and rapidly deployable educational facility with classrooms, spaces for teaching, workshops, dining, recreation, sports, and/or other education-related purposes based upon Grimshaw’s designs and utilizing its container-based or other modular structures, or pre-fabricated modular structures jointly developed by SG Blocks and Grimshaw.

*Distribution Agreement With Sanitec Industries LLC*

In seeking to disrupt the medical waste industry to provide a safer and greener solution, SG Blocks announced in March 2022 that it had entered into a ten year exclusive distribution agreement with Sanitec Industries LLC, a sustainable waste management company that is the global patent holder for the Sanitec Microwave Healthcare Waste Disinfection System™ for the State of New York (with a right to expand to other states).

The Sanitec Microwave Disinfection Unit (Figure 16) is designed to shred and disinfect biomedical waste, rendering the waste disinfected, unrecognizable, and of no greater risk to the public health than (normally associated with) residential household waste. Sanitec’s existing customers are primarily centered in healthcare facilities nationwide, ranging from large hospital systems to single practitioner doctor’s offices. These entities utilize Sanitec Microwave Healthcare Waste Disinfection Systems to transform dangerous healthcare waste into low-volume, unrecognizable, non-infectious material that requires no further treatment and can be safely disposed of in municipal landfills. Sanitec has worked with clients such as Columbia HCA Hospital, Korea Environment Corp, VA Medical Center, JFK Medical Center, and multiple universities, such as University of Alabama, UC Davis, and UC Irvine to name a few. SG Blocks also announced that has formed a new entity, SG Environmental Solutions Corp., to meet the market need for sustainable, eco-friendly waste management and recycling infrastructure products.

Figure 16  
SANITEC INDUSTRIES MODEL



Source: SG Blocks, Inc.

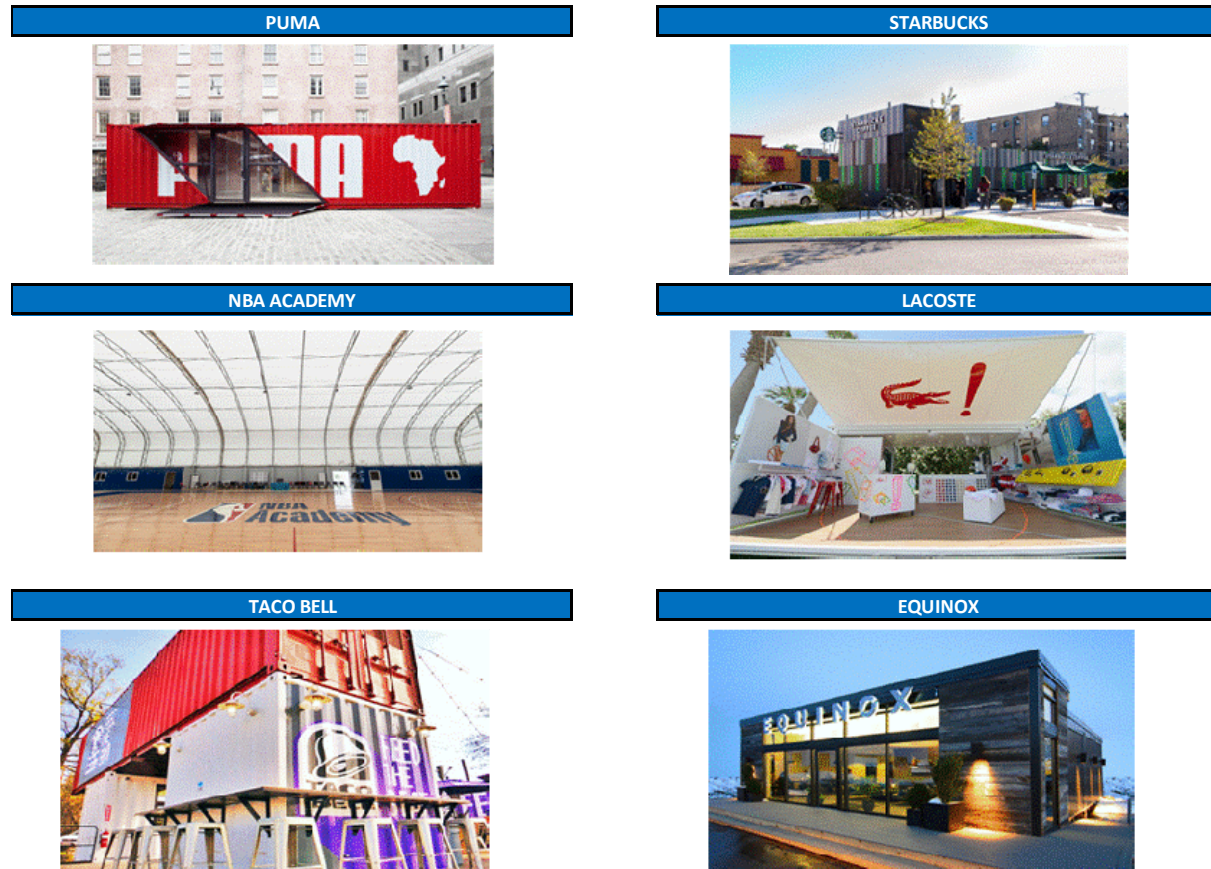
*Collaborative Process With The Teamsters Union 848*

In July 2022, SG Blocks announced that it is currently in the discovery and research phase with the Teamsters Union 848, the local Teamsters union in Long Beach, California, for a point-of-care COVID-19 testing module as well as an overarching wellness center for union members. The Teamsters, or the International Brotherhood of Teamsters (IBT), is a labor union in both the U.S. and Canada, which represents professional workers in public and private sectors alike. According to the U.S. Department of Labor, the union has roughly 1.2 million members. The goal of the project will be to increase diagnostic and general medical and wellness services for the union members. Eric Tate, Principal Officer and Secretary-Treasurer of Teamsters Local 848, currently sits on the board of SGB DevCorp. The Company expects to have service modules at the port in January 2023.

## Commercial

With competition increasing and brand engagement becoming more important than ever, companies must be present where their customers already are. However, building large new stores in unproven locations is costly and marketing to bring customers to a specific location can be even more expensive. SG Blocks helps some of the world's largest retailers develop unique and engaging brand experiences with small footprints or that are mobile for a 'pop-up' retail experience. Key examples of some of the Company's recent commercial projects include Puma, Starbucks, NBA Academy, Lacoste, Taco Bell, and Equinox, among others (shown in Figures 17 and 18).

Figure 17  
SELECT COMMERCIAL PROJECTS



Source: SG Blocks, Inc.

Figure 18  
THE MOST RECOGNIZED COMPANIES TRUST SG BLOCKS



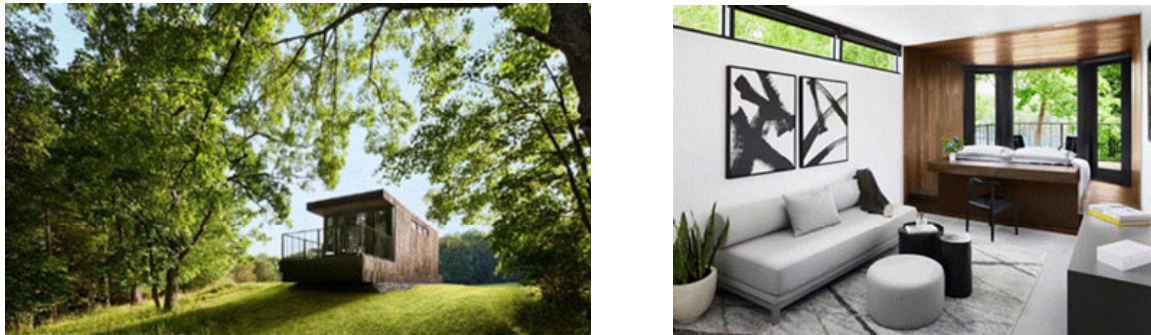
Source: SG Blocks, Inc.

## Hospitality

SG Blocks announced in July 2022 that it had entered into a fabrication agreement with Moliving Inc. (<https://www.moliving.com>), the world’s first luxury nomadic hospitality solution that can pop up anytime and anywhere, providing a true luxury experience to its guests with minimal impact to the environment. SG Blocks identifies with this philosophy, which contributed to the Company’s decision to invest in Moliving and lead its seed investment round. Moliving Hotels can be fully self-sufficient with the use of solar power, gray water recycling technology, and integrated holding tanks, or can be installed on the grid in a matter of minutes. As well, they can be constructed in months versus years and at a fraction of the cost of traditional hotels.

The fabrication agreement is valued at approximately \$15 million for an initial 60 units, all of which will be sent to Moliving’s Hurley House location (Figure 19), an eco-resort located in the Hudson Valley area. The initial 60 units are expected to be built over a period of three months, with the plan to build all at the SG Waldron Factory. Moliving has an additional five locations, which are expected to open in 2023, which would provide SG Blocks with a potential pipeline of approximately 400 units. The units would be built by SG ECHO in-house.

Figure 19  
MOLIVING’S LUXE CABINS



Source: SG Blocks, Inc. and MoLiving.

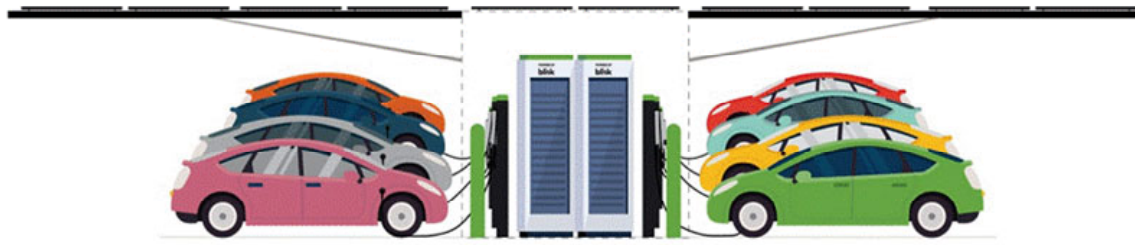
## Military

SG Blocks provides unique solutions to the U.S. military—everything from mobile offices for aircraft carriers in dock to new barracks for soldiers—with each solution tailored to the strict needs of the military while saving money. On June 29, 2022, the Company announced that SG ECHO has been released from its design phase for its agreement with a leading contractor for a United States Military Sensitive Compartmented Information Facility (SCIF), with the project now moving to the production phase. SG ECHO is building the secured pre-fabricated facility for a government entity in-house, with its factory featuring approximately 70,000 square feet of modular manufacturing space. The contract, which is for \$767,682, commenced in October 2021 and is expected to be completed in October 2022.

## EV Charging

SG Blocks partnered with Blink Charging (<https://blinkcharging.com>), a leading owner, operator, and provider of electric vehicle (EV) charging equipment and services, in December 2021 to offer even more sustainability and flexibility to the rapidly growing EV world. The Company has worked to create a 40 foot charging station in its containers, comprised of a solar-powered battery charged by integrated panels. Each station is expected to provide EV drivers with access to eight of Blink’s IQ 200 fast chargers to charge simultaneously, offering fast chargers for up to 65 miles of charge per hour each. These charging stations are portable and can setup to charge almost anywhere and have integrated solar panels for maximum sustainability (Figure 20, page 30).

Figure 20  
EV CHARGING CONCEPT PARTNERED WITH BLINK CHARGING



Source: SG Blocks, Inc.

This agreement expands the original 2020 Master Development and Production Agreement, executed between SG Blocks and Blink, to include SGB DevCorp (the Company’s real estate development subsidiary). SGB DevCorp expects to use Blink’s technology in all current and future development sites, elevating the amenities offered at each location and enabling each resident the opportunity to reduce their own carbon footprint.

### Manufacturing Facilities

The Company’s current manufacturing footprint holds three sites in Oklahoma (ECHO, Waldron, and McLean), and one in St. Marys (Georgia), as described below.

#### *SG ECHO (Durant, Oklahoma)*

Leading the growth of SG Blocks’ manufacturing capabilities is the Company’s 19-acre main facility located in Durant, Oklahoma. SG Blocks acquired ECHO DCL in a cash and stock transaction on September 23, 2020. This acquisition enables significant vertical integration, reduces cost of goods sold, expands margins, and increases efficiency. ECHO DCL is a container/modular manufacturer and current supplier to SG Blocks specializing in the design and construction of permanent modular and temporary modular buildings as well as fulfilling legacy projects. SG Blocks also acquired two additional facilities in the Durant, Oklahoma area to further advance a multi-phased plan to rapidly develop SG ECHO manufacturing in its commitment and growth to the Durant community. The ECHO facility (Figure 21) is tailored to meet the needs of major markets, including military, education, healthcare, government, commercial, and residential manufacturing. The facility offers increased productivity and efficiency in the areas of design, estimating, manufacturing, and delivery for all related projects.

Figure 21  
ECHO MODULAR FABRICATION FACILITY



Source: SG Blocks, Inc.

- On October 28, 2021, SG ECHO entered into a Lease Agreement with May Properties, LLC, to lease a 56,775 square foot facility located at 101 Waldron Road in Durant Oklahoma. SG ECHO'S monthly base rent for the premises started at \$15,991.63, commencing on the Lease Commencement Date and will increase at the rate of 2% on an annual basis up to a maximum monthly base rent of \$19,111.47. The leased premises is expected to add two new production lines for ECHO to manufacture projects for its subsidiary, SGB DevCorp, and other customers. Upon ECHO completing certain improvements to the premises, it expects to receive a credit against future rent, not to exceed \$750,000, for the cost and expense of the improvements to be applied pro rata over the remaining term of the lease. The lease also grants ECHO an option to purchase the premises for (1) \$1 million after the fifteenth (15<sup>th</sup>) through the end of the twenty-fourth (24<sup>th</sup>) full calendar month of the Lease or (2) \$1,050,000 during the twenty-fifth (25<sup>th</sup>) through the end of the thirty-sixth (36<sup>th</sup>) full calendar month of the Lease. Pursuant to a Guaranty Agreement, dated October 28, 2021, ECHO'S obligations under the lease have been guaranteed by the Company.
  - In connection with the lease, ECHO entered into a Loan Agreement with the Durant Industrial Authority to which it received \$750,000 to be used for improvements on the premises and issued to the authority a non-interest bearing forgivable promissory note in the principal amount of \$750,000. The Durant Note is due on April 29, 2029 and guaranteed by SG Blocks, provided, if no event of default has occurred under the Durant Note or Loan Agreement, one-third of the balance of the Durant Note will be forgiven on April 29, 2027, one-half of the balance of the Durant Note will be forgiven on April 29, 2028, and the remainder of the balance of the Durant Note will be forgiven on April 29, 2029. The Loan Agreement includes a covenant by ECHO to employ a minimum of 75 full-time employees in Durant Oklahoma and pay them no less than 1.5 times the federal minimum wage, and provides SG ECHO 24 months to comply with the provisions.
- In April 2022, SG Blocks announced that SG ECHO had broadened its relationship with a private client, which is producing the Company's largest contract to date with SG ECHO. The purchase order is for more than 100 units and the Company expects to generate approximately \$6 million dollars in revenue from this contract. The units are scheduled to be completed by the end of the second quarter 2022.
- In August 2021, SG Blocks announced that SG ECHO would be engaging in a collaborative effort with ATCO Structures & Logistics, a one-stop provider of integrated energy, housing, transportation, and infrastructure solutions. ATCO has committed 20 units to be produced by SG ECHO as a part of a national roll out of modular fleet units throughout the U.S. With this, SG ECHO has the opportunity to continue to provide ATCO with ongoing support through this initiative, which will require continued production over a number of years. Plans are to produce in volumes with larger, more scalable orders as needed.

#### *SG Waldron (Oklahoma)*

As the second facility in Oklahoma, SG Waldron is 16-acre site with two full additional production lines used for SGB DevCorp projects as well as certain commercial projects. The facility allows for much greater flexibility in scheduling and creates greater efficiencies in every aspect of the manufacturing process. Once the Waldron facility is operational, it will double SG Blocks' manufacturing capacity, and include a contractual option to acquire the site upon completion.

#### *McLean (Oklahoma)*

Expected to break ground beginning in the calendar year 2022, SG Blocks anticipates building approximately 300 residential units and up to 680,000 square feet of industrial manufacturing space (depicted in Figure 22, page 32) on the mixed-use property. The residential units are being built to help meet some of the significant need for workforce housing due to the expansion of other employers in the region. Each residential unit is anticipated to average roughly 1,000-1,500 SF and offer one to three bedrooms. It is anticipated that residential units will be constructed alongside the SG Blocks-owned facility. With rapid population growth in the region, demand for industrial manufacturing space is significant.

Figure 22  
MCLEAN MIXED-USE SITE IN DURANT, OK



Source: SG Blocks, Inc.

This property in Oklahoma provides a development opportunity with a clean and level site located close to the McLean Development Corp. residential site. The overall project financing is expected to include Company equity, bank debt, and local government incentives. The total costs to develop the 114-acre project is estimated at approximately \$200 million, which includes design, site work, and delivery of units. The Company has commenced the design process and anticipates a groundbreaking at the manufacturing site in the first quarter 2023.

Figure 23  
CUMBERLAND ISLAND SEASHORE



Source: SG Blocks, Inc.

### St. Marys (Georgia)

Located in a mixed-use residential site, this facility provides local manufacturing capabilities and greater ability to meet growing demand across SG Blocks' projects. Near the SGB Development Corp Cumberland Inlet project in Georgia (Figure 23), the St. Marys facility is adding manufacturing support to the local project, the Norman Berry project, as well as other commercial, residential, and military projects. The manufacturing campus is expected to be located at the former St. Marys airport site.

Figure 24  
PRELIMINARY ST. MARYS MANUFACTURING SITE PLAN



Source: SG Blocks, Inc.

- In March 2022, the Company announced that the Camden County Joint Development Authority (JDA) had approved SG Blocks' real estate transaction for roughly 29 acres with plans to build a 120,000 square foot manufacturing facility to support the Cumberland Inlet development project. SG Blocks plans to employ roughly 125 people in the first three years. This follows SG Blocks' announcement of its 10% non-dilutable equity interest in the waterfront project. The factory is intended to provide in excess of 100,000 square feet of new manufacturing space for the Company. The new campus is intended to serve a multitude of projects and areas, including but not limited to SG Blocks' Cumberland Inlet and Norman Berry projects, as well as the greater Jacksonville, Florida area, given the Company's new headquarters. Once complete,

this manufacturing campus at St Marys is expected to provide SG Blocks with much needed additional floor space to produce its growing number of projects. Initial deliveries of the modular residential units are expected by year end 2022, with updates to the manufacturing site to follow. In August 2022, SG Blocks announced that the Company intends to close on its future St. Marys manufacturing campus (Figure 24) in the last two weeks of August. SG Blocks intends to use a combination of debt and equity to close on the land.



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## SGB Development Corp. (SGB DevCorp) Projects

With new U.S. construction well below historic levels and not enough new housing units being built to accommodate the population's growth, SG Blocks is helping solve this problem by bringing its sustainable technologies to new areas across the U.S. During February 2021, SG Blocks formed SGB Development Corp. (SGB DevCorp), a wholly-owned subsidiary, which was formed for the purpose of real property development using the Company's technologies and its manufacturing facility. SGB DevCorp was formed to develop, co-develop, design, build, and finance single family and multifamily apartments for purchase or rent in the U.S. With a current residential pipeline in excess of 4,100 homes and apartments, comprising about three million square feet of projects, and manufacturing pipeline of roughly \$750 million, the Company partners with highly experienced development and a financial partners to target high-quality, moderately-priced housing, which is very scarce in most markets. Its projects have many of the following characteristics, where they are developed in Special Purpose Entities (SPEs) to isolate liability; they have land contributed as Equity; and/or have secured financing. The launch of SGB DevCorp is expected to provide a host of benefits to SG Blocks, including: (1) keeping manufacturing near 100% capacity to provide a steady and visible flow of manufacturing income; (2) participating in project fees; and (3) potential profit from asset sales. The Company's key projects are highlighted in the accompanying section and summarized in Figure 25 [page 34]).

### *Real Estate Developments*

- **Lago Vista, Texas.** On May 10, 2021, the Company acquired a 58 acre waterfront site in Lago Vista, Texas for \$3.5 million in cash, pursuant to the Unimproved Property Contract, dated February 25, 2021, with Northport Harbor LLC. The site is located outside of the greater Austin area on Lake Travis on the Colorado River. On August 16, 2022, the Company announced that SGB DevCorp has entered into contract for the sale of this property at full asking price to an unnamed buyer. The contracted sale will generate the Company a significant return on its investment, with closing expected to occur in the fourth quarter 2022. SG Blocks expects to use the value attained from this sale to continue to grow the Company, while preventing any dilution to shareholders from future financings. The Company has stated that it does not foresee a need to access the capital markets at this time, and that the sale of Lago Vista is expected to help to bolster its balance sheet. Upon the closing of this sale, the Company's total unit count within the pipeline will decline by only approximately 174 units.
- **Norman Berry Village.** On May 31, 2021, SGB DevCorp acquired a 50% membership interest for \$600,000 in a limited liability company that is building affordable housing in the Atlanta, Georgia metropolitan area, to be known as "Norman Berry Village". SGB DevCorp has partnered with CMC Development Group (<https://cmcdevelopmentnyc.com>), a New York City-based real estate development firm with national expertise providing design build services. SG Blocks expects the project to develop 125,000 square feet and build approximately 138 units at Norman Berry Village.
- **JDI-Cumberland Inlet, LLC.** On June 24, 2021, SGB DevCorp entered into an operating agreement with Jacoby Development, Inc. (JDI), a Georgia corporation, for JDI-Cumberland Inlet, LLC, a Georgia limited liability company, pursuant to which SG Blocks acquired a 10% non-dilutable equity interest (LLC Interest) in JDI-Cumberland and agreed to contribute \$3 million in capital for the development of a 1,286 acre waterfront parcel in downtown historic St. Marys, Georgia. SGB DevCorp, in conjunction with Jacoby Development of Atlanta, expects to develop a mixed-use destination community. The closing on the 1,286-acre waterfront parcel occurred prior to the end of second quarter 2021.
- **Durant Industrial Authority.** On November 10, 2021, SG Blocks entered into a Purchase Agreement with the Durant Industrial Authority to acquire 100% ownership of approximately 114 mixed-use acres in Durant, Oklahoma for \$865,000. The Company expects to build roughly 300 residential units and up to 680,000 square feet of industrial manufacturing space on the mixed-use property. The closing on the 114 mixed-use acres occurred in the first quarter 2022.

- Monticello Mews.** Monticello Mews is a multi-family development project located in the Catskills region of New York. Upon completion, the development is expected to consist of 187 townhomes with one- and two-bedroom units, with amenities including a clubhouse, gym, and outdoor green spaces. The first phase is expected to be complete by the end of the third quarter 2023. The Company has carried interest in this project of approximately \$650,000, and expects to earn a preferred payment upon completion of the project.

Figure 25  
KEY DEVELOPMENT PROJECTS

#### **MONTICELLO MEWS (Sullivan County, NY)**

Approx. Square Feet: 314,160 sq.ft.  
Approx. Site Size: 83 acres  
Approx. Number of Units: 187

A new, unique, town-house community in the desirable Catskills, NY area. The site location in Sullivan County, NY is in a designated "Opportunity Zone" and is being developed in response to an acute housing shortage.

New job creation in the county is out-stripping housing supply. Additional commercial projects and phasing existing projects are causing employees to endure long, impractical commutes.



#### **CUMBERLAND INLET (St. Marys, GA downtown area)**

Approx. Square Feet: 1,995,600 sq.ft.  
Approx. Site Size: 1,286 acres  
Approx. Number of Units: 1,200 (Phase 1)

The project is envisioned to revitalize the St. Marys, GA downtown area, with an emphasis on creating a community in harmony with the natural surroundings.

The plans for the site will consist of approximately 1,280 units made up of single family, multi-family, vacation, and hospitality use. The development will also house modern amenities for residents and guests including a full-service marina and village, as well as an upscale Eco-Tourism park inclusive of camping, yurts, cabins and cottages, as well as allowing space for a new SG Blocks manufacturing facility.



#### **NORMAN BERRY VILLAGE (East Point, Fulton, Georgia)**

Approx. Square Feet: 125,000 sq.ft.  
Approx. Site Size: 6.6 acres  
Approx. Number of Units: 138

Norman Berry Village sits on 7.5 acres and will target moderate income families. The property is located in East Point, Fulton, Georgia – 15 minutes outside of Atlanta and is well suited for multi-family units.

Project includes a minimum of 138 units, built in partnership with CMC Development, an Atlanta-based real-estate development firm.



#### **MCLEAN (Durant, Oklahoma)**

Approx. Square Feet: 4,063,000 sq.ft.  
Approx. Site Size: 20 acres  
Approx. Number of Units: 300

McLean, located in Durant, Oklahoma, sits minutes away from the Choctaw Nation Casino and Headquarters, as well as minutes away from the Interstate Highway system, which runs to Dallas and Oklahoma City, and creates much needed housing and additional jobs.

This residential development will convert the current agricultural-use land to approximately half a million square feet of multifamily housing with 300 units, along with a new SG Blocks manufacturing facility to meet growing demand.



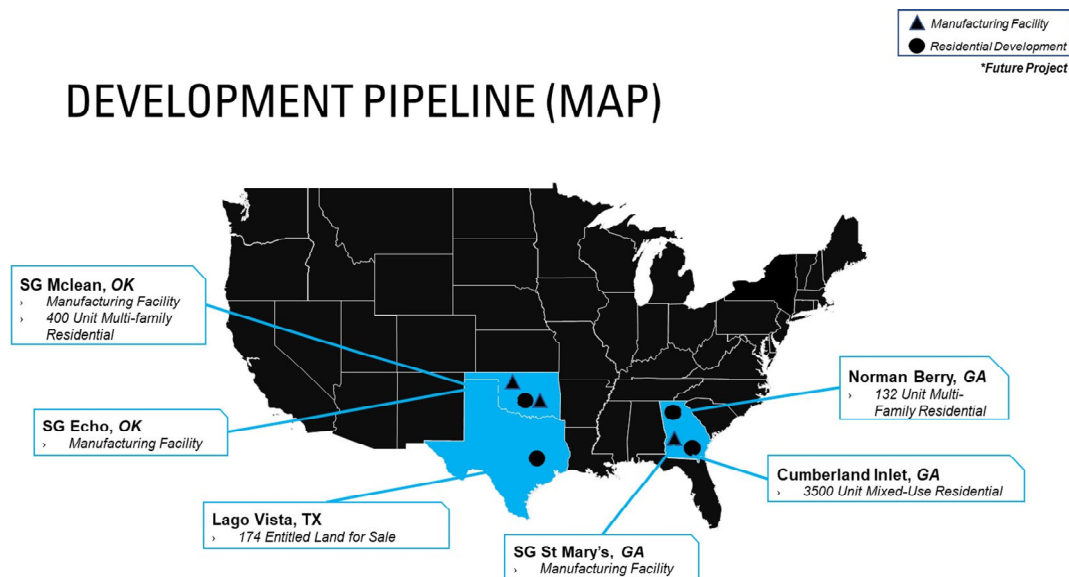
Source: SG Blocks, Inc.

*SGB Development Corp. Project Development Map*

The Company recently updated its Development Pipeline Map outlining its existing and planned development projects across the U.S. SGB DevCorp has projects located in Oklahoma, Texas, Georgia, and New York, with plans to scale and expand. Approaches range from factories to workforce housing, residential developments, mixed-use communities, and townhomes. These projects are intentionally geographically and asset class-diverse to help reduce risk and maximize returns. SGB DevCorp includes a pipeline of approximately 4,200 residential units for sale or rent and letters of intent have been executed for an industrial site and quarry. Potential gross revenue is listed below.

- Approximately \$750 million in gross potential manufacturing revenue over the next four to five years for SG ECHO'S manufacturing factories due primarily from the Lago Vista, McLean, Cumberland, and Norman Berry projects;
- Approximately \$40 million in gross potential revenue related to the quarry and industrial site projects currently under letters of intent estimated over the next five year period.

Figure 26  
SGB DEVELOPMENT CORP. GROWING FOOTPRINT



Source: SG Blocks, Inc.

*Land Appraisals*

On September 12, 2022, SG Blocks announced that it had published four land appraisals relating to the Company's McLean, Norman Berry and Cumberland properties, and the planned St. Marys Industrial site located within the St. Marys Commerce Park, which is to serve as a new manufacturing facility for the Company (and in turn produce the Company's Cumberland Inlet project, a joint venture with Jacoby Development). Full details of the four appraisals can be found on the Company's website, under Company Information, with key information regarding full appraisals summarized in Figure 27 (page 36).

Figure 27  
FULL APPRAISALS FOR THREE SGB DEVELOPMENT CORP. SITES AS WELL AS THE ST. MARYS FACTORY

SITE	APPRAISAL DATE	PREPARED BY	APPRAISAL PREMISE	INTEREST APPRAISED	VALUE CONCLUSION
Cumberland Inlet	March 29, 2022	Cushman & Wakefield of North Carolina, Inc.	Market Value As-is	Fee Simple	\$3,375,000
			Prospective Market Value Upon Completion	Leased Fee	\$54,400,000
			Prospective Market Value Upon Stabilization	Leased Fee	\$57,400,000
McLean	August 24, 2022	Property Analytix, LLC	"As Is" Market Value – Apartment Site	Fee Simple Estate	\$3,700,000
			"As Is" Market Value – Industrial Business Park	Fee Simple Estate	\$16,240,000
Norman Berry Village	August 17, 2022	Property Analytix, LLC	"As Is" Market Value	Fee Simple Estate	\$5,580,000
St. Marys Industrial	August 10, 2022	Property Analytix, LLC	"As Is" Market Value of Land and Entitlements	Lease fee estimate	\$2,410,000

*Source: SG Blocks, Inc.*

Full appraisal of real property can be accessed through the links below.

- Cumberland Inlet (Source: Cushman & Wakefield of North Carolina, Inc.): <https://bit.ly/3xlmIsP>
- McLean (Source: Property Analytix, LLC): <https://bit.ly/3d80B2r>
- Norman Berry Village (Property Analytix, LLC): <https://bit.ly/3U6HKW1>
- St. Marys Industrial (Source: Property Analytix, LLC): <https://bit.ly/3eBjcnE>

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## Milestones

A summary of SG Blocks recently achieved milestones is provided below.

### Recent

- In a joint partnership with Clarity Mobile Ventures, SG Blocks entered into a contract extension with Los Angeles International Airport (LAX) for COVID-19 testing;
- Announced point of care (POC) testing and a laboratory services contract at the Port of Long Beach for 10,000 members of Teamsters 848;
- Actively working on COVID-19, flu, and other in-demand diagnostic tests on a permanent basis;
- Successfully delivered COVID-19 testing in Miami, Florida for the South Beach Wine & Food Festival;
- Entered into a contract for the sale of its Lago Vista property at full asking price to an unnamed buyer. The contracted sale will generate the Company a significant return on its investment, with closing expected to occur in the fourth quarter 2022;
- Announced the largest contract in the Company's history with Moliving, Inc. the world's first luxury nomadic hospitality solution for a value of \$18 million; and
- Entered production phase for United States Military Sensitive Compartmented Information Facility (SCIF). The contract is for \$767,682 and is scheduled for completion in October 2022.

### Potential

An overview of potential milestones regarding SG Blocks' development efforts is provided below.

- The Company expects to launch the five projects in its pipeline scheduled to be kicked off over the next fifteen months, including three additional Made-In-The-USA manufacturing facilities to support the building of its growing pipeline of residential units, which currently numbers over 4,200 units.
- In fabrication/Production
  - ATCO
  - Moliving
  - Casata – prototype agreement
  - Teamsters
- Factory Openings/Ribbon Cuttings
  - Waldron opening
  - McLean opening
  - Ribbon cutting at St. Marys

- Offering more testing at LAWA CLIA Lab
- Groundbreakings
  - McLean Residential
  - Cumberland Inlet
  - Norman Berry
  - Starting Sanitec Operations
- Expects to become cash flow positive in 2023

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## Competition

SG Blocks operates in a very competitive environment characterized by competition from numerous local, regional, and national builders. The Company expects to face competition from regular brick-and-mortar construction companies—including those that participate in the container building sector—as well as other organizations within the modular building space. The latter is comprised of a number of private and public companies involved in the use of shipping containers as building materials in similar areas the Company primarily operates, including residential, commercial, medical, and military. In addition, SG Blocks may face competition from architectural firms that work with shipping containers on individual projects and those who operate mainly in this space.

SG Blocks believes that its experience, technology, proprietary manufacturing process, and service model provides significant competitive advantages against other companies. The Company's acquisition of ECHO has allowed it to vertically integrate its manufacturing process, resulting in a reduction of cost and production time, while increasing productivity and efficiency. Furthermore, SG Blocks' management team has a combined 130 years of experience in the modular building industry, in a wide range of applications, including office, enclosures, residential, commercial, quick service restaurants, experiential, and restaurant applications.

The company profiles presented below are not intended to be an exhaustive collection of possible competitors to SG Blocks; however they are believed to be a representative of the type of competition the Company may face as it seeks to continue to expand its products and services within the modular and container construction market.

### **BMarko Structures LLC**

<https://bmarkostructures.com>

BMarko Structures is a modular construction company specializing in custom shipping container conversions and steel modular construction. It offers shipping container modification solutions for athletics, industrial, healthcare, food services, retail, and event applications. The company's projects include modular COVID-19 hospital rooms for the Georgia Emergency Management and Homeland Security Agency (GEMA), a field office in Virginia for Wing (an Alphabet, Inc. company) to support its first fleet of delivery drones, a temporary casino cashier booth for a poker tournament in The Venetian Hotel and Casino in Las Vegas, and Coca-Cola pop-up concession stands. The company was established in 2015 and is headquartered in Atlanta, Georgia.

### **Falcon Structures**

[www.falconstructures.com](http://www.falconstructures.com)

Falcon Structures, a modular and shipping container-based building company, produces climate-controlled storage, offices, living quarters, training facilities, industrial shelters, and code-compliant modules for container buildings. The company's projects include residential, commercial, military, and government applications. Falcon holds an ICC-ESR certification to repurpose AC462 compliant shipping containers into durable, mobile, and secure structures, and its project includes the largest shipping container structure in the U.S. to date, the 122-container stadium, Fortress Obetz. Falcon's list of clients includes the U.S. Air Force, NASA, Boeing, Dell, and the Simon Property Group, among others. Falcon was founded in 2003 and is headquartered in Manor, Texas.

### **Giant Containers Inc.**

<https://giantcontainers.com>

Giant Containers is a global supplier of new, used, and modified shipping container structures. Since 2008, Giant has been building modular enclosures for the residential, commercial, industrial, emergency, and experiential sectors with approved commercial and residential modular programs in several states. Its client list includes Louis Vuitton, Adidas, Hamilton Airport (Detour Coffee), General Motors, and Axus Solar. The company is headquartered in Toronto, Canada.

**Modlogiq, Inc.**

[www.modlogiq.com](http://www.modlogiq.com)

Modlogiq (formerly NRB USA, Inc.) has over 40 years' experience in off-site construction of permanent modular buildings. Modlogiq's innovation has been recognized with dozens of industry awards across multiple sectors, including corrections, healthcare, higher education, K-12, student housing, and multi-unit housing. Modlogiq Smart Off-Site Construction methodology reduces construction time—30% to 50% faster completion—by building structures in factories, resulting in cost reduction, least site impact, superior quality, and more sustainable construction. Its projects and clients include Bryn Athyn college dormitories, Montgomery County Correctional Facility, the University of Maryland, Chester County Hospital ER, Gotham Health Medical Center, and Harvard University, among others. The company is headquartered in New Holland, Pennsylvania,

**MODS International**

<https://www.mods.us>

MODS creates and delivers shipping container structures worldwide, specializing in temporary and permanent structures, including commercial and retail buildings, trade show and event displays, residential container homes, temporary structures, mass housing, and specialized projects. MODS is currently working with various governments and aid organizations to create medical structures to combat COVID-19. The majority of MODS medical structures have been outfitted to be intensive care units placed nearby or in the parking lot of hospitals. Production has been rapidly scaled up so that medical facilities can be up and running within four weeks. The company is headquartered in Appleton, Wisconsin

**ROXBOX Containers**

[www.roxboxcontainers.com](http://www.roxboxcontainers.com)

ROXBOX is a manufacturing company that designs, engineers, and builds custom structures out of shipping containers. Through a customer-centric product development process, innovative design, obsessive engineering, and a focus on sustainability, ROXBOX provides premium container-based solutions for its clients in the commercial (e.g., healthcare, office space, and retail), industrial (e.g., crypto mining, safety, and rescue training), and food & beverage industries. In response to the COVID-19 pandemic, ROXBOX teamed up with several partner organizations to design containerized medical units that can be used for a number of medical purposes. The company is headquartered in Denver, Colorado.

**Tempohousing Ltd**

[www.tempohousing.com](http://www.tempohousing.com)

Tempohousing invents, designs, builds, and delivers prefabricated homes and hotel rooms since 2004. The company focuses on commercial, government, and housing (e.g., student housing) applications, as well as individual homes. In the past years, it has built and delivered over 2,000 homes and hotel rooms. Its projects include Keetwonen housing units in Amsterdam (the largest shipping container housing complex, see Figure 7, page 17), Labour Hotel in Diemen, the Netherlands, Tesla pop-up showrooms, and schools in Panama and Caribbean locations, among others. The company is headquartered in Amsterdam, The Netherlands, and has offices in Scandinavia, Switzerland, Nigeria, the United Kingdom, Ireland, Ghana, South Africa, and the Caribbean.



## Investment Highlights

- ***SG Blocks, Inc. is a leading innovator in providing industry approved, code engineered cargo shipping containers for safe and green construction.*** The Company's cargo modified modules, which is an alternative to using new steel and lumber, allows for the redesign and conversion of heavy-gauge steel cargo shipping containers into safe, green, building blocks that can be repurposed for use in a variety of commercial, industrial, and residential building construction. By creating a product that surpasses building code requirements, SG Blocks enables developers, architects, builders, and owners to achieve faster execution and stronger buildings for commercial and residential structures.
- ***In September 2020, SG Blocks completed an Asset Purchase Agreement with Echo DCL, LLC, a container/modular manufacturer that had been a key supplier of the Company, to acquire substantially all the assets of ECHO.*** Based in Durant, Oklahoma, SG ECHO specializes in the design and construction of permanent and temporary modular buildings. This acquisition has enabled SG Blocks the ability to expand its reach for the Company's modules and to vertically integrate a large portion of its cost of goods sold, as well as increase margins, productivity, and efficiency in the areas of design, estimating, manufacturing, and delivery. This acquisition also affords SG Blocks greater control over the manufacturing process and the ability to increase its product offerings.
  - On April 1, 2022, SG ECHO announced that it had broadened its relationship with a private client, which is producing the Company's largest contract to date. The purchase order is for more than 100 units, with SG Blocks anticipating being able to generate approximately \$6 million dollars in revenue from this contract. The units are scheduled to be completed by the end of the second quarter 2022.
- ***In 2017, SG Blocks was the first company in history to get recycled material (shipping containers) approved by the ICC Evaluation Service, LLC (ICC-ES). This was a historic moment for construction and sustainability.*** This approval indicates that the ICC-ES recognizes the suitability and technical capabilities of the SG Blocks structural building materials for use in compliance with the International Building Code and Residential Code, the California Building Code and Residential Code, and the Florida Building Code—Building and Residential. This is expected to significantly expedite reviews and approvals by building departments and make the Company's container fabrication become more widely accepted within the construction industry.
- ***Clarity Labs Solutions selected SG Blocks for its modular technology to accelerate speed of deployment and redeployment into underserved hot spots of labs certified under the Clinical Laboratory Improvement Amendments of 1988 (CLIA) that require high connectivity.*** The cost of transporting diagnostic testing samples is high and to meet the high volume of underserved areas, Clarity required CLIA-certified labs that could be deployed at the point of collection. SG Blocks' deployable technology line (or D-tec) Suite is to be utilized for the modular CLIA Labs and is designed to meet the global demand for safe and easily deployable medical response situations. This D-tec line offers a uniquely efficient environment for testing collection and onsite deployable laboratory analysis.
- ***In July 2022, SG Blocks announced that it is currently in the discovery and research phase with the Teamsters Union 848, the local Teamsters union in Long Beach, California, for a point-of-care COVID-19 testing module as well as an overarching wellness center for union members.*** The Teamsters, or the International Brotherhood of Teamsters (IBT), is a labor union in both the U.S. and Canada, which represents professional workers in public and private sectors alike. The goal of the project will be to increase diagnostic and general medical and wellness services for the union members.
- ***SG Blocks recently announced that it had entered into a fabrication agreement with Moliving Inc., the world's first luxury nomadic hospitality solution.*** The fabrication agreement is valued at approximately \$15 million for an initial 60 units, all of which will be sent to Moliving's Hurley House location, an eco-resort located in the Hudson Valley area. Moliving has an additional five locations, which are expected to open in 2023, which could provide SG Blocks with a potential pipeline of approximately 400 units. SG Blocks' CEO Paul Galvin has also joined Moliving's Board of Directors.

- ***SG Blocks announced in March 2022 that it had entered a ten-year exclusive distribution agreement with Sanitec Industries LLC, a sustainable waste management company.*** The Sanitec Microwave Disinfection Unit is designed to shred and disinfect biomedical waste, rendering the waste disinfected, unrecognizable, and of no greater risk to the public health than (normally associated with) residential household waste. Sanitec's existing customers are primarily centered in healthcare facilities nationwide, ranging from large hospital systems to single practitioner doctors' offices. SG Blocks also announced that it has formed a new entity, SG Environmental Solutions Corp., to meet market need for sustainable, eco-friendly waste management and recycling infrastructure products.
- ***During February 2021, SG Blocks formed SGB Development Corp. (SGB DevCorp), a wholly owned subsidiary, which was formed for the purpose of real property development using the Company's technologies and its manufacturing facility.*** SGB DevCorp develops, co-develops, designs, builds, and finances single family and multifamily homes for purchase or rent in the U.S. The launch of SGB DevCorp is expected to provide a host of benefits to SG Blocks, including: (1) keeping manufacturing near 100% capacity to provide a steady and visible flow of manufacturing income, (2) participating in project fees, and (3) potential profit from asset sales.
- ***On August 16, 2022, the Company announced that SGB DevCorp has entered into a contract for the sale of its Lago Vista, Texas property at full asking price to an unnamed buyer.*** The contracted sale will generate the Company a significant return on its investment, with closing expected to occur in the fourth quarter 2022. SG Blocks expects to use the value attained from this sale to continue to grow the Company, while preventing any dilution to shareholders from future financings. The Company has stated that it does not foresee a need to access the capital markets at this time, and that the sale of Lago Vista is expected to help bolster its balance sheet.
- ***SG Blocks' management team has broad knowledge in the modular building industry, with a combined 130 years of experience in a wide range of construction applications, providing an advantage over its competition using market-based prototypes.***
- ***As of June 30, 2022, SG Blocks' cash and cash equivalents totaled \$2.4 million.***

## Historical Financial Results

Figures 28, 29, and 30 (pages 43-45) provide a summary of SG Blocks' most recent key financial statements for the quarter ended June 30, 2022.

Figure 28  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	<i>For the Three Months Ended June 30, 2022</i>	<i>For the Three Months Ended June 30, 2021</i>	<i>For the Six Months Ended June 30, 2022</i>	<i>For the Six Months Ended June 30, 2021</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Revenue:</b>				
Construction services	\$ 4,213,264	\$ 2,064,438	\$ 5,881,648	\$ 5,202,153
Engineering services	24,320	4,059	74,706	98,008
Medical revenue	3,317,387	9,785,490	10,203,215	15,741,453
Total	<u>7,554,971</u>	<u>11,853,987</u>	<u>16,159,569</u>	<u>21,041,614</u>
<b>Cost of revenue:</b>				
Construction services	4,265,021	3,164,695	5,942,581	7,258,235
Engineering services	10,739	32,197	53,892	41,967
Medical revenue	2,507,251	6,645,714	6,904,701	11,323,405
Total	<u>6,783,011</u>	<u>9,842,606</u>	<u>12,901,174</u>	<u>18,623,607</u>
<b>Gross profit</b>	771,960	2,011,381	3,258,395	2,418,007
<b>Operating expenses:</b>				
Payroll and related expenses	1,211,509	801,664	2,355,696	1,629,186
General and administrative expenses	796,812	1,060,499	1,576,833	1,720,300
Marketing and business development expense	91,495	72,438	234,830	143,065
Pre-project expenses	—	847	—	10,980
Total	<u>2,099,816</u>	<u>1,935,448</u>	<u>4,167,359</u>	<u>3,503,531</u>
<b>Operating income (loss)</b>	(1,327,856)	75,933	(908,964)	(1,085,524)
<b>Other income (expense):</b>				
Interest expense	(73,126)	(329)	(121,975)	(692)
Interest income	10,979	13,797	23,762	31,267
Other income	372,407	61,024	491,309	61,024
Total	<u>310,260</u>	<u>74,492</u>	<u>393,096</u>	<u>91,599</u>
<b>Income (loss) before income taxes</b>	(1,017,596)	150,425	(515,868)	(993,925)
<b>Income tax expense</b>	—	—	—	—
<b>Net income (loss)</b>	<u>(1,017,596)</u>	<u>150,425</u>	<u>(515,868)</u>	<u>(993,925)</u>
Add: net income attributable to noncontrolling interests	397,764	1,691,684	1,616,669	2,581,211
<b>Net loss attributable to common stockholders of SG Blocks, Inc.</b>	<u>\$ (1,415,360)</u>	<u>\$ (1,541,259)</u>	<u>\$ (2,132,537)</u>	<u>\$ (3,575,136)</u>
<b>Net loss per share attributable to SG Blocks, Inc.</b>				
Basic and diluted	<u>\$ (0.11)</u>	<u>\$ (0.17)</u>	<u>\$ (0.16)</u>	<u>\$ (0.41)</u>
<b>Weighted average shares outstanding:</b>				
Basic and diluted	<u>13,226,451</u>	<u>8,822,278</u>	<u>13,110,821</u>	<u>8,783,806</u>

Source: SG Blocks, Inc.

Figure 29  
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2022 (Unaudited)	December 31, 2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 2,428,211	\$ 13,024,381
Escrow - bond	4,000,000	—
Accounts receivable, net	2,510,192	2,917,646
Contract assets	—	41,916
Held for sale assets	4,392,541	—
Inventories	928,120	1,273,825
Prepaid expenses and other current assets	933,036	656,279
<b>Total current assets</b>	<b>15,192,100</b>	<b>17,914,047</b>
Property, plant and equipment, net	4,806,650	6,839,943
Project development costs and other non-current assets	808,761	923,172
Goodwill	1,309,330	1,309,330
Right-of-use asset	2,779,191	1,210,053
Long-term note receivable	838,733	720,137
Intangible assets, net	2,013,028	2,095,232
Deferred contract costs, net	91,767	112,159
Investment in non-marketable securities	700,000	200,000
Investment in and advances to equity affiliates	3,599,943	3,599,945
<b>Total Assets</b>	<b>\$ 32,139,503</b>	<b>\$ 34,924,018</b>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 4,462,673	\$ 7,568,851
Contract liabilities	1,769,604	1,437,579
Lease liability, current maturities	479,488	337,469
Due to affiliates	—	264,451
Assumed liability	5,795	5,795
Short term note payable, net	1,997,843	1,971,960
<b>Total current liabilities</b>	<b>8,715,403</b>	<b>11,586,105</b>
Long-term note payable	750,000	750,000
Lease liability, net of current maturities	2,310,017	872,124
<b>Total liabilities</b>	<b>11,775,420</b>	<b>13,208,229</b>
Stockholders' equity:		
Preferred stock, \$1.00 par value, 5,405,010 shares authorized; none issued or outstanding	—	—
Common stock, \$0.01 par value, 25,000,000 shares authorized; 12,050,206 issued and outstanding as of June 30, 2022 and 11,986,873 issued and outstanding as of December 31, 2021	120,502	119,869
Additional paid-in capital	54,660,934	53,341,405
Accumulated deficit	(35,241,757)	(33,109,220)
<b>Total SG Blocks, Inc. stockholders' equity</b>	<b>19,539,679</b>	<b>20,352,054</b>
Non-controlling interest	824,404	1,363,735
<b>Total stockholders' equity</b>	<b>20,364,083</b>	<b>21,715,789</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 32,139,503</b>	<b>\$ 34,924,018</b>

Source: SG Blocks, Inc.

Figure 30  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	<i>For the Six Months Ended June 30, 2022</i>	<i>For the Six Months Ended June 30, 2021</i>
	(Unaudited)	(Unaudited)
<b>Cash flows from operating activities:</b>		
Net loss	\$ (515,868)	\$ (993,925)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	210,977	198,398
Amortization of intangible assets	82,204	82,230
Amortization of deferred license costs	20,392	20,392
Amortization of debt issuance costs	21,569	—
Bad debt expense	7,024	161,202
Interest income on long-term note receivable	(18,596)	(18,596)
Stock-based compensation	1,280,162	532,422
Loss on asset disposal	241	—
Changes in operating assets and liabilities:		
Accounts receivable	400,430	(245,307)
Escrow - bond	(4,000,000)	—
Contract assets	41,916	(819,095)
Inventories	345,705	(631,771)
Prepaid expenses and other current assets	(276,757)	16,800
Right of use asset	232,401	204,840
Accounts payable and accrued expenses	(3,040,292)	1,958,175
Contract liabilities	332,025	(985,672)
Due to affiliates	(264,451)	(583,791)
Lease liability	(221,627)	(204,246)
Net cash used in operating activities	<u>(5,362,545)</u>	<u>(1,307,944)</u>
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipment	(1,751,999)	(4,693,008)
Purchase of intangible asset	—	(42,500)
Proceeds from sale of equipment	760	—
Repayment of promissory note	(100,000)	—
Payment on assumed liability of acquired assets	—	(157,469)
Project development costs and other non-current assets	(726,386)	—
Investment in and advances to equity affiliates	—	(3,350,239)
Investment in non-marketable securities	(500,000)	—
Net cash used in investing activities	<u>(3,077,625)</u>	<u>(8,243,216)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from conversion of warrants to common stock	—	707,187
Distribution paid to non-controlling interest	(2,156,000)	(1,842,784)
Net cash used in financing activities	<u>(2,156,000)</u>	<u>(1,135,597)</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(10,596,170)</u>	<u>(10,686,757)</u>
<b>Cash and cash equivalents - beginning of period</b>	<u>13,024,381</u>	<u>13,010,356</u>
<b>Cash and cash equivalents - end of period</b>	<u>\$ 2,428,211</u>	<u>\$ 2,323,599</u>
<b>Supplemental disclosure of non-cash investing and financing activities:</b>		
Initial value of lease liability	\$ 1,801,584	\$ —

Source: SG Blocks, Inc.

## Recent Events

**September 12, 2022**—SG Blocks, Inc. announced that the Company has published on its investor website four land appraisals it has received relating to the Company's McLean, Norman Berry and Cumberland properties, and the planned St. Marys Industrial site located within the St. Marys Commerce Park, which is to serve as a new manufacturing facility for the Company, and in turn produce the Company's Cumberland Inlet project, a joint venture with Jacoby Development.

**September 7, 2022**—Announced that the Company has received board approval to increase its ongoing share buyback program from 500,000 shares to 1,000,000 shares of its common stock. The buyback program was commenced following the filing of the Company's Q2 2022 10-Q and will continue subject to trading window blackout restrictions, under management's discretion.

**August 23, 2022**—Announced that the Company has executed an agreement with an Oklahoma non-profit, People First Industries, for a roughly 4,550 square feet, 6-module office building and facility.

**August 22, 2022**—Announced that the Company has closed on approximately 29 acres in St. Marys, Georgia, with plans to build the Company's third manufacturing site. The new factory will initially employ approximately 40 people and will serve as the Company's third factory to date, with an anticipated groundbreaking expected in Q2 2023. The facility will be used to build the Cumberland Inlet project, of which a groundbreaking event was held on August 26, 2022.

**August 16, 2022**—Announced that SGB Development Corp. (SGB DevCorp), a wholly-owned subsidiary of the Company, entered into contract for the sale of its Lago Vista property at full asking price to an unnamed buyer. The contracted sale will generate the Company a significant return on its investment. Closing is expected to occur in the fourth quarter 2022.

**August 15, 2022**—Reported financial results for the second quarter ended June 30, 2022. Revenue for the second quarter 2022 was \$7.6 million versus \$11.9 million for the second quarter 2021. Construction segment revenues for the second quarter of 2022 were \$4.2 million versus \$2.0 million in the second quarter of 2021.

**August 12, 2022**—Announced the hiring of Equity Animal, LLC, an investor relations firm based in New York. Equity Animal will serve as both the Company's investor relations and public relations firm to help broaden awareness of the Company to the financial community.

**August 10, 2022**—Announced that the Company will report fiscal 2022 second quarter financial results on Monday, August 15, after the market closes.

**August 8, 2022**—Announced that the Company intends to close on its future St. Marys manufacturing campus in the last two weeks of August 2022. SG Blocks will use a combination of debt and equity to close on the land.

**July 29, 2022**—Announced that the Company is currently in the discovery and research phase with Teamsters Union 848, the local Teamsters union in Long Beach, California, for a point-of-care COVID-19 testing module as well as an overarching wellness center for union members.

**July 27, 2022**—Issued a stockholder letter pertaining to unusual option activity.

**July 26, 2022**—Announced that the Company has chosen Oppenheimer & CO., a leading global full-service brokerage and investment bank, to manage the share buyback program that was announced in July 2022. The buyback program is currently scheduled to commence three days following the filing of the Company's Q2 2022 10-Q.

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**July 18, 2022**—Announced that the Company entered into a fabrication agreement with Moliving Inc., the world’s first luxury nomadic hospitality solution, providing a true luxury experience to its guests with minimal impact to the environment. SG Blocks identifies strongly with this ethos, which in part contributed to the Company’s decision in March 2022 to invest in Moliving and lead its seed investment round.

**July 15, 2022**—Announced that its Board of Directors authorized a share repurchase program of up to 500,000 shares. SG Blocks had 12.0 million common shares outstanding at March 31, 2022. At the closing stock price of \$1.58 per share on July 13, the repurchase program is valued at up to \$790,000. The Board has also approved the sale and signing of a letter of intent for the Company’s Lago Vista development site located outside of Austin, TX at the asking price. The 60-acre site was purchased less than two years ago.

**July 7, 2022**—Announced that Clarity Mobile Venture, a partnership with Clarity Lab Solutions, is extending its contract with Los Angeles International Airport (LAX) for COVID-19 testing.

**July 1, 2022**—Announced that it sold three 40’ containers to a private developer seeking to build a container park in Lake City, Florida. The square footage of the sale in its entirety is roughly 960 square feet. The container park plans to feature entertainment as well as an assortment of food trucks and alcohol vendors. The client aims to make an impact in Northern Florida with a community-driven, family-owned business.

**June 29, 2022**—Announced that SG ECHO, SG Blocks’ owned and operated manufacturing facility which specializes in the design and construction of permanent modular and temporary modular buildings, has been released from its design phase for its agreement with a leading contractor for a United States Military SCIF. The project is now moving to the production phase. The contract, which is for \$767,682, commenced in October 2021 and aims for completion in October of 2022.

**May 23, 2022**—Reported financial results for the first quarter ended March 31, 2022. Revenue for the first quarter 2022 was \$8.6 million compared to \$9.2 million for the first quarter of 2021.

**May 23, 2022**—Announced that the Company will host a conference call, Monday, May 23, 2022, at 4:30 p.m. ET to discuss its first quarter 2022 financial results for the three months ended March 31, 2022.

**April 18, 2022**—Reported financial results for the fourth quarter and year ending December 31, 2021.

**April 14, 2022**—Announced that the Company will host a conference call on Monday, April 18, 2022, at 4:30 p.m. Eastern Time to share its results for the fourth quarter and 12 months ended December 31, 2021.

**April 4, 2022**—Announced that SGB DevCorp has selected Douglas Elliman Inc., a premier real estate company, as the broker for its waterfront Lago Vista property. The 58-acre waterfront property is listed for sale at \$15 million. The site is located outside of the greater Austin area on Lake Travis on the Colorado River. Plans have already been approved to build approximately 200 condominiums and a 50-slip marina.

**April 1, 2022**—Announced that SG ECHO broadened its relationship with a private client, which is producing the Company’s largest contract to date with SG ECHO. The Company is a one-stop provider of various infrastructure solutions. The purchase order is for more than 100 units and the Company expects to generate approximately \$6 million dollars in revenue from this contract. The units are scheduled to be completed by the end of Q2 2022.

**March 28, 2022**—Announced that the Company entered into a ten year exclusive distribution agreement with Sanitec Industries LLC (“Sanitec”), a sustainable waste management company that is the global patent holder for the Sanitec Microwave Healthcare Waste Disinfection System™ for the State of New York with a right to expand to other states.

**March 10, 2022**—Announced that the Camden County Joint Development Authority (JDA) approved SG Blocks’ real estate transaction for roughly 33 acres with plans to build a 114,000 square foot manufacturing facility to support the Cumberland Inlet development project. SG Blocks plans to employ roughly 125 people in the first three years. This follows SG Blocks’ announcement of its 10% non-dilutable equity interest in the waterfront project.

**March 02, 2022**—SG Blocks, Inc. and Moliving Inc. announced SG Blocks is leading Moliving’s seed round. Moliving, which is a developer’s solution conceived to disrupt the modular living and hospitality industries, offers hoteliers and landowners the opportunity to adjust room inventory to match demand in real time with minimal disruption to the environment.

**February 28, 2022**—Announced that the Company continues its development growth with the closing of the approximately 114-acre “McLean mixed-use” site in Durant, OK. The site has been under contract since November 2021. The purchase agreement was made between Durant Industrial Authority and SG Blocks.

**February 04, 2022**—Announced that SGB DevCorp shifted strategy regarding the 58-acre parcel outside of the greater Austin area known as ‘Lago Vista’. The real estate asset was acquired at approximately \$3.5 million in Q2 2021. The land has substantially increased in value. The Company believes taking this parcel to market to take profits upfront on the opportunity is in the best interest for shareholders.

**January 11, 2022**—Announced that SG ECHO has been selected by HTR Investors for full suite architectural consulting and engineering services to build RV and Glamping units. These will be built with the intention to deliver to various campground sites across the U.S. The design build contract is for approximately 150 units.

**December 16, 2021**—Announced that it retained PCG Advisory, Inc., a leading investor relations and digital strategies firm, to serve as an advisor for investor relations, strategic communications, and investor outreach.

**December 14, 2021**—Announced that SGB DevCorp formed the SGB Development Corp. Advisory Board with a group of innovative leaders from various industries who plan to provide strategic counsel to SG Blocks’ real estate development arm.

**December 8, 2021**—Announced that SGB DevCorp released a map outlining the Company’s existing and currently planned development projects across the United States.

**December 6, 2021**—Announced that SGB DevCorp will collaborate with Blink Charging Co., a leading owner, operator, and provider of electric vehicle charging equipment and services, to deploy Blink’s EV charging technology via SG Blocks’ modular designs.

**November 30, 2021**—Announced that SG ECHO has been selected as manufacturer by a leading contractor for a United States Military SCIF, in support of the contractor winning a prime bid.

**November 15, 2021**—Reported its financial results for the third quarter ending Sept 30, 2021.

**November 12, 2021**—Announced that SG ECHO received a forgivable loan of \$750,000 granted by the Durant Industrial Authority, a public trust authority of the City of Durant, to make renovations to the recently announced Waldron facility.

**November 11, 2021**—Announced that the Company, on behalf of its development subsidiary, SGB DevCorp, executed a purchase agreement for a mixed-use property in Durant, Oklahoma with approximately 4,063,276 of square footage. The purchase agreement contract is between the Durant Industrial Authority and SG Blocks, Inc.

**November 5, 2021**—Announced that medical sales industry veteran, James Henderson, will join the team as Director of Medical Business Development.

**November 2, 2021**—Announced that the Company will host a conference call on Monday, November 15, 2021 at 4:30 p.m. Eastern Time to share its results for the third quarter ended September 30, 2021, followed by a live question and answer session.

**November 1, 2021**—Announced that SG ECHO entered into a lease agreement for an additional manufacturing facility in Durant, Oklahoma to add two new production lines, which in turn is expected to triple the Company’s manufacturing capacity.



**October 28, 2021**—Announced that the Company closed on the issuance of approximately 3.16 million shares of common stock (or common stock equivalents in lieu thereof in the form of pre-funded warrants) together with warrants to purchase up to approximately 1.9 million shares of common stock, for total gross proceeds of approximately \$11.55 million. Each share of common stock and accompanying common warrant were sold together at a combined offering price of \$3.65, and each common stock equivalent and accompanying common warrant were sold together at a combined offering price of \$3.649. The common stock equivalents will be immediately exercisable at a nominal exercise price of \$0.001 and will expire when exercised in full. The common warrants will have an exercise price of \$4.80 per share, will be exercisable upon issuance and will expire five years from the date of an issuance.

**October 25, 2021**—Announced it entered into a securities purchase agreement with a single U.S. institutional investor for the purchase and sale of 3,164,384 shares of its common stock (or common stock equivalents in lieu thereof in the form of pre-funded warrants) together with warrants to purchase up to 1,898,630 shares of common stock for gross proceeds of approximately \$11.55 million. Each share of common stock and accompanying common warrant are being sold together at a combined offering price of \$3.65, and each common stock equivalent and accompanying common warrant are being sold together at a combined offering price of \$3.649. The common stock equivalents will be immediately exercisable at a nominal exercise price of \$0.001 and will expire when exercised in full. The common warrants will have an exercise price of \$4.80 per share, will be exercisable upon issuance and will expire five years from the date of an issuance.

**October 1, 2021**—Announced that the Company entered into executive employment agreements with Williams Rogers, Chief Operating Officer, and Gerald Sheeran, Acting Chief Financial Officer. Both agreements are for initial terms of two years, with bonuses being based upon achievement of objectives and goals, as determined by the Company's board of directors and management.

**September 20, 2021**—Announced that the Company developed a new modular laboratory product at the SG ECHO campus in Durant, Oklahoma and plans to build and deploy mobile intermodal CLIA-certified laboratories for point-of-care healthcare testing.

## Risks and Disclosures

This Executive Informational Overview® (EIO) has been prepared by SG Blocks, Inc. (“SG Blocks” or “the Company”) with the assistance of Crystal Research Associates, LLC (“CRA”) based upon information provided by the Company. CRA has not independently verified such information. Some of the information in this EIO relates to future events or future business and financial performance. Such statements constitute forward-looking information within the meaning of the Private Securities Litigation Act of 1995. Such statements can only be predictions and the actual events or results may differ from those discussed due to the risks described in SG Blocks’ statements on forms filed from time to time.

The content of this report with respect to SG Blocks has been compiled primarily from information available to the public released by the Company through news releases and other filings. SG Blocks is solely responsible for the accuracy of this information. Information as to other companies has been prepared from publicly available information and has not been independently verified by SG Blocks or CRA. Certain summaries of activities and outcomes have been condensed to aid the reader in gaining a general understanding. CRA assumes no responsibility to update the information contained in this report. In addition, for year one of its agreement, CRA has been compensated by the Company in cash of forty thousand dollars for its services in creating this report and for quarterly updates.

Investors should carefully consider the risks and information about SG Blocks’ business, as described below. Investors should not interpret the order in which considerations are presented in this or other filings as an indication of their relative importance. In addition, the risks and uncertainties overviewed in the accompanying section are not the only risks that the Company faces. Additional risks and uncertainties not presently known to SG Blocks or that it currently believes to be immaterial may also adversely affect the Company’s business. If any of such risks and uncertainties develops into an actual event, SG Blocks’ business, financial condition, and results of operations could be materially and adversely affected.

This report is published solely for information purposes and is not to be construed as an offer to sell or the solicitation of an offer to buy any security in any state. Past performance does not guarantee future performance. For more complete information about the risks involved in an investment in the Company as well as for copies of this report, please contact SG Blocks by calling (833) SGBLOCK or (646) 240-4235.

### RISKS RELATING TO THE COMPANY’S FINANCIAL POSITION AND CAPITAL REQUIREMENTS

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

At December 31, 2021 and 2020, SG Blocks had cash and cash equivalents and a short-term investment, collectively, of \$13,024,381 and \$13,010,356, respectively. However, during the fiscal years ended December 31, 2021 and 2020, the Company reported a net loss of \$5,908,372 and \$4,508,162, respectively, and used \$662,759 and \$2,887,950 of cash for operations, respectively. If SG Blocks is not successful with its efforts to increase revenue, the Company could experience a shortfall in cash over the next twelve months. If there is a shortfall, it may be forced to reduce operating expenses, among other steps, all of which would have a material adverse effect on the Company’s operations going forward.

SG Blocks may also seek to obtain debt or additional equity financing to meet any cash shortfalls. The type, timing, and terms of any financing the Company may select will depend on, among other things, SG Blocks’ cash needs, the availability of other financing sources, and prevailing conditions in the financial markets. However, there can be no assurance that the Company will be able to secure additional funds if needed and that, if such funds are available, the terms or conditions would be acceptable to SG Blocks.

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If the Company is unable to secure additional financing, further reduction in operating expenses might need to be substantial in order to ensure enough liquidity to sustain operations. Any equity financing would be dilutive to SG Block's stockholders. If the Company incurs debt, it will likely be subject to restrictive covenants that significantly limit their operating flexibility and require the Company to encumber its assets. If SG Blocks fails to raise sufficient funds and continues to incur losses, its ability to fund operations, take advantage of strategic opportunities, or otherwise respond to competitive pressures will be significantly limited.

Any of the above limitations could force SG Blocks to significantly curtail or cease its operations, and an investor could lose all of his/her investment in the Company's common stock. These circumstances have raised substantial doubt about the Company's ability to continue as a going concern, and continued cash losses may risk SG Block's status as a going concern. The Company's consolidated financial statements do not include any adjustments that might be necessary should it be unable to continue as a going concern.

***SG Blocks has incurred net losses in prior periods, and there can be no assurance that the Company will generate income in the future, or that it will be able to successfully achieve or maintain its growth strategy.***

The Company's ability to achieve profitability will depend upon its ability to generate and sustain substantially increased revenues. SG Blocks may continue to incur operating losses in the future as the Company executes its growth strategy. Although it expects that expenses will decline due to its new business model, there can be no assurance that the Company's revenue from royalties will exceed its expenses, especially since SG Blocks anticipates that most of its expenses will be fixed expenses that will not be dependent upon revenue generated. The likelihood that the Company will generate net income in the future must be considered in light of the difficulties facing the construction industry as a whole, economic conditions, and the competitive environment in which SG Block's operates. The Company's operating results for future periods are subject to numerous uncertainties, and it may not achieve sufficient revenues to sustain or increase profitability. In addition, SG Blocks may be unable to successfully achieve or maintain its growth strategy, including its ability to expand into new geographic markets.

***An impairment of goodwill could have a material adverse effect on the Company's financial condition and results of operations.***

As December 31, 2021, SG Blocks had \$1,309,330 of goodwill. The Company performs an impairment test of its goodwill annually during the fourth quarter of its fiscal year or when events occur or circumstances change that would more-likely-than-not indicate that goodwill might be impaired. Factors that may be considered include a change in circumstances, indicating that the carrying value of its goodwill may not be recoverable, include a decline in stock price and market capitalization, reduced future cash flow estimates, and slower growth rates in the Company's industry.

SG Blocks' annual impairment tests resulted in no impairment of goodwill during fiscal 2021 and fiscal 2020. Deterioration in estimated future cash flows in the Company's reporting unit could result in further future goodwill impairment. Changes to the Company's business strategy, changes in industry or market conditions, changes in operating performance, or other indicators of impairment could cause SG Blocks to record a significant impairment charge during the period in which the impairment is determined, negatively impacting the Company's results of operations and financial position.

## **RISKS RELATING TO THE COMPANY**

***The Company's residential construction business is difficult to evaluate because it is currently focused on a new business model and has very limited operating history and limited information.***

SG Blocks recently terminated its licensing business model for its residential construction business in the United States and is currently developing and constructing its own residential developments. In 2019, the Company entered into one license agreement for use of its technology for construction of residences in the United States, which was terminated in June 2021. There is a risk that SG Blocks will be unable to successfully generate revenue from this new business model. Although the Company believes that it will experience increased revenue from this new

business model, there can be no assurance that SG Blocks will not experience increased costs and generate less income than the Company anticipates. SG Blocks is subject to many risks associated with this new business model, such as its dependence upon third parties to provide services and supply required materials. Even if the Company generates revenue, there can be no assurance that it will be profitable. SG Blocks is subject to the risks inherent to the operation of a new business enterprise, and cannot assure investors that it will be able to successfully address these risks.

In addition, it is still too early to evaluate the impact of the Company's recent acquisition of ECHO. Although SG Blocks expects to have better control of cost of goods and efficiency from this acquisition, it is too early to determine the full benefits, if any to be experienced as a result of the acquisition.

***The impact of COVID-19, or similar global health concerns, could negatively impact the Company's ability to source certain products, impact product pricing, impact its customers' ability or that of its licensees to obtain financing, or have a negative impact on the Company's business.***

In March 2020, the World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and the related adverse public health developments, have adversely affected work forces, economies, and financial markets globally. SG Blocks use of third-party suppliers for production and shipping of certain products could be negatively impacted by the regional or global outbreak of illnesses, including the COVID-19 outbreak. In addition, any outbreak of COVID at the Company's ECHO facility could result in closures of the facility and negatively impact SG Blocks' ability to meet timelines.

***The Company may be unable to successfully integrate the ECHO business with its current management and structure and the acquisition of ECHO may not result in the benefits anticipated.***

Failure to successfully complete the integration of ECHO could have an adverse effect on SG Blocks prospects, business activities, cash flow, financial condition, results of operations, and stock price. Integration challenges may include the following:

- assimilating ECHO'S technology and retaining personnel;
- estimating the capital, personnel, and equipment required for ECHO based on the historical experience of management with the businesses they are familiar with;
- minimizing potential adverse effects on existing business relationships; and
- successfully developing the new products and services.

SG Blocks believes the acquisition of ECHO will provide certain strategic benefits, which would enable the Company to accelerate its business plan through an increased access to capital in the public equity markets. However, SG Blocks' employee number has experienced significant growth from the acquisition as has its expenses. There can be no assurance that these anticipated benefits of the acquisition will materialize or that if they materialize will result in increased stockholder value or revenue stream to the combined company.

***SG Blocks' ability to meet its workforce needs is crucial to the Company's results of operations and future sales and profitability.***

The Company relies on the existence of an available hourly workforce to manufacture its products. SG Blocks cannot assure investors that it will be able to attract and retain qualified employees to meet current or future manufacturing needs at a reasonable cost, or at all. For instance, the demand for skilled employees has increased recently with the low unemployment rates in Oklahoma (where the Company has manufacturing facilities). Additionally, although none of the Company's employees are currently covered by collective bargaining agreements, SG Blocks cannot assure investors that its employees will not elect to be represented by labor unions in the future. Additionally, competition for qualified employees could require SG Blocks to pay higher wages to

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attract a sufficient number of employees. Significant increases in manufacturing workforce costs could materially adversely affect the Company's business, financial condition, or results of operations.

***SG Blocks has a fixed cost base that will affect its profitability if sales decrease.***

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

***A material disruption at one of the Company's suppliers' facilities or ECHO'S facilities could prevent SG Blocks from meeting customer demand, reduce its sales, and negatively affect the Company's overall financial results.***

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

***A natural disaster, the effects of climate change, or other disruptions at the Company's ECHO facility could adversely affect SG Blocks business, financial condition, and results of operations.***

SG Blocks relies on the continuous operation of its ECHO facility in Durant, Oklahoma for the production of the Company's modules. Any natural disaster or other serious disruption to this facility due to fire, flood, earthquake, or any other unforeseen circumstance would adversely affect its business, financial condition, and results of operations. In addition, adverse weather conditions, such as increased frequency and/or severity of storms, or floods could impair SG Blocks ability to operate by damaging its facilities and equipment or restricting product delivery to customers. The occurrence of any disruption at the Company's manufacturing facility, even for a short period of time, may have an adverse effect on its productivity and profitability, during and after the period of the disruption. These disruptions may also cause personal injury and loss of life, severe damage to or destruction of property and equipment, and environmental damage.

Although SG Blocks maintains property, casualty, and business interruption insurance of the types and in the amounts that the Company believes are customary for the industry, SG Blocks is not fully insured against all potential natural disasters or other disruptions to its manufacturing facility.

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

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

In addition, changing laws, regulations, and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs, and making some activities more time-consuming. These laws, regulations, and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. SG Blocks intends to invest resources to comply with evolving laws, regulations, and standards, and this investment may result in increased general and administrative expense and a diversion of management's time and attention from revenue-generating activities to compliance activities. If the Company's efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies, regulatory authorities may initiate legal proceedings against SG Blocks and its business and prospects may be harmed.

As a result of disclosure of information in the filings required of a public company, SG Blocks business and financial condition are more visible, which may result in threatened or actual litigation, including by competitors and other third parties. If such claims are successful, the Company's business, financial condition, results of operations, and prospects could be harmed, and even if the claims do not result in litigation or are resolved its favor, these claims, and the time and resources necessary to resolve them, could divert the resources of Company management and harm its business, financial condition, results of operations, and prospects.

***SG Blocks is dependent on the services of key personnel, and the unexpected loss of their services may adversely affect the Company's operations.***

The Company's success depends highly upon the personal efforts and abilities of its senior management team, specifically the efforts of Paul M. Galvin, SG Blocks Chief Executive Officer, Gerald Sheeran, its Acting Chief Financial Officer, and William Rogers, its Chief Operations Officer. The Company has entered into employment agreements with Messrs. Galvin, Sheeran, and Rogers. The employment agreements with Messrs. Galvin, Sheeran, and Rogers each provide for two-year terms, with automatic renewal after the end of such term. The loss of the services of one or more of these individuals could have a material adverse effect on its business. SG Blocks ability to achieve profitability and generate increased revenue will depend upon its ability to retain, and, if necessary, attract experienced management personnel.

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

A few customers have in the past, and may in the future, account for a significant portion of SG Blocks revenues in any one year or over a period of several consecutive years. At December 31, 2021 and 2020, 78% and 79%, respectively, of the Company's gross accounts receivable were due from four and three customers, respectively. Revenue relating to one and three customers represented approximately 80% and 61% of SG Blocks total revenue for the years ended December 31, 2021 and 2020, respectively. Although the Company has contractual relationships with many of its significant customers, customers may unilaterally reduce or discontinue their contracts with SG Blocks at any time. The loss of business from a significant customer could have a material adverse effect on its business, financial condition, results of operations, and cash flows.

***SG Blocks relies on certain vendors to supply it with materials and products that, if the Company were unable to obtain, could adversely affect its business.***

The Company has relationships with key materials vendors, and relies on suppliers for purchases of products from them. Any inability to obtain materials or services in the volumes required and at competitive prices from major trading partners, the loss of any major trading partner, or the discontinuation of vendor financing (if any) may seriously harm SG Blocks' business because the Company may not be able to meet the demands of its customers on a timely basis in sufficient quantities or at all. Other factors, including reduced access to credit by Company vendors resulting from economic conditions, may impair its vendors' ability to provide products in a timely manner or at competitive prices. SG Blocks also relies on other vendors for critical services, such as transportation, supply chain, and professional services. Any negative impacts to the Company's business or liquidity could adversely impact its ability to establish or maintain these relationships.

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

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

***SG Blocks may have difficulty protecting its proprietary manufacturing processes, which could adversely affect the Company's ability to compete.***

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

#### **RISKS RELATING TO THE COMPANY'S BUSINESS AND INDUSTRY**

***SG Blocks, in particular Clarity Mobile Venture, is dependent on the availability and skill of subcontractors, their willingness to work with it, and their expertise in the medical industry.***

The Company relies and expects to continue to rely on subcontractors to perform the collection of COVID-19 tests and run testing procedures within its LAX laboratory. Despite detailed specifications and quality control procedures, in some cases, improper processes or defective materials may cause issues in producing a timely test result. SG Blocks may need to spend money to remediate such problems when they are discovered. Defective materials and or improper testing procedures can result in refunds owed back to the Company's COVID-19 customers. Pervasive problems could adversely affect its business and therefore its ability to generate income at LAX. The inability to contract with skilled subcontractors at reasonable costs and on a timely basis could erode SG Blocks profit margins and adversely affect its results of operations and cash flows.

***The Company depends on third parties for transportation services, and limited availability or increases in costs of transportation could adversely affect SG Blocks business and operations.***

SG Blocks business depends on the transportation of a large number of products, via railroad or truck. The Company relies primarily on third parties for transportation of the products it manufactures or distributes and for the delivery of its raw materials. The Company is also subject to seasonal capacity constraints, which may be severely reduced due to COVID-19, and weather-related delays for both rail and truck transportation. If any of the Company's third-party transportation providers were to fail to deliver raw materials to it or its modules to customers in a timely manner, SG Blocks may be unable to complete projects in a timely manner and may, among other things, incur penalties for late delivery or be unable to use the modules as intended. In addition, if any of these third parties were to cease operations or cease doing business with it, SG Blocks may be unable to replace them at reasonable cost. Any failure of a third-party transportation provider to deliver raw materials to the Company or finished modules to its customers in a timely manner could harm SG Blocks' reputation, negatively

affect its customer relationships, and have a material adverse effect on operating results, cash flows, and financial condition. Additionally, an increase in transportation rates or fuel surcharges could adversely affect sales, profitability, and cash flows.

***Expansion of the Company's operations may strain resources, and its failure to manage growth effectively could adversely impact SG Blocks operating results and harm its ability to attract and retain key personnel.***

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

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

Backlog represents the total dollar amount of revenues the Company expects to record in the future as a result of performing work under contracts it has been awarded. Backlog may fluctuate significantly due to the timing of orders or awards for large projects and is not necessarily indicative of future backlog levels or the rate at which backlog will be recognized as revenue. The Company includes in backlog only those contracts for which it has reasonable assurance that the customer can obtain the permits for construction and can fund the construction.

The Company cannot provide assurance that its backlog will be realized as revenues in the amounts reported or, if realized, will result in profits. In accordance with industry practice, substantially all of SG Blocks contracts are subject to cancellation, termination, or suspension at its customer's discretion. In the event of a project cancellation, the Company generally would not have a contractual right to the total revenue reflected in its backlog. Projects can remain in backlog for extended periods of time because of the nature of the project and the timing of the particular services required by the project. In addition, the risk of contracts in backlog being cancelled or suspended generally increases during periods of widespread economic slowdowns or in response to changes in commodity prices.

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

***SG Blocks' liability for estimated warranties may be inadequate, which could materially adversely affect its business, financial condition, and results of operations.***

The Company is subject to construction defect and warranty claims arising in the ordinary course of business. These claims are common in the construction industry and can be costly. SG Blocks third-party providers offer guarantees and warranties in accordance with industry standards that flow through to its clients. A large number of warranty claims could have a material adverse effect on the Company's results of operations.



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

The construction industry is highly cyclical and seasonal and is influenced by many international, national, and regional economic factors, including the availability of consumer and wholesale financing, which may be severely reduced due to COVID-19, seasonality of demand, consumer confidence, interest rates, income levels, and general economic conditions, including inflation and recessions. As a result of the foregoing factors, the revenues and operating results derived from customers will fluctuate and the Company currently expects them to continue to fluctuate in the future. Moreover, SG Blocks has experienced, and may continue to experience, operating losses during cyclical downturns in the construction market. These and other economic factors could have a material adverse effect on demand for the Company's products and its financial condition and operating results.

***SG Blocks' business depends on the construction industry and general business, financial market, and economic conditions.***

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

***SG Blocks' business relies on private investment and a slower than expected economy may adversely affect results.***

A significant portion of the Company's sales are for projects with non-public owners, such as non-residential builders and home builders who make investments with private funds into their projects. Construction spending is affected by their customers' ability to finance projects, which may be severely reduced due to COVID-19. Residential and nonresidential construction could decline if companies and consumers are unable to finance construction projects or if the economy slows or is stalled, which could result in delays or cancellations of capital projects. If the economy slows, or if housing starts and nonresidential projects do not increase, sales of the Company's products directly by it to consumers and related services may decline, and its financial position, results of operations, and liquidity could be materially adversely affected.

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

SG Blocks operates in and sources some of its products from outside of the United States, and its suppliers may also rely upon non-domestic products. If the Company is unable to navigate foreign regulatory environments, or if it is unable to enforce its contract rights in foreign countries, SG Blocks' business could be adversely impacted. Any of these events could interrupt the Company's business and cause operational disruptions, increase its costs of operations, reduce its sales, or otherwise have an adverse effect on operating performance.

The U.S. government has indicated its intent to alter its approach to trade policy, including, in some instances, to revise, renegotiate, or terminate certain multilateral trade agreements. It has also imposed new tariffs on certain foreign goods and raised the possibility of imposing additional increases or new tariffs on other goods. Such actions have, in some cases, led to retaliatory trade measures by certain foreign governments. Such policies could make it more difficult or costly for the Company to do business in or procure products from those countries. In turn, SG Blocks may need to raise prices or make changes to its operations, which could negatively impact its

revenue or operating results. At this time, it remains unclear what additional actions, if any, will be taken by the U.S. government or foreign governments with respect to tariff and international trade agreements and policies, and the Company cannot predict future trade policy or the terms of any revised trade agreements or any impact on its business.

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

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

Despite the Company's efforts, SG Blocks remains vulnerable to cyber-attacks and security breaches, and any such attack or breach could adversely affect its reputation, business, financial condition, or results of operations.

***SG Blocks could suffer adverse tax and other financial consequences if the Company is unable to utilize its net operating loss carryforwards.***

At December 31, 2021, the Company had tax net operating loss carry forwards totaling approximately \$26.1 million. The net operating loss expires beginning 2030 through 2037 for those losses generated in 2017 and prior years. Approximately \$14.8 million of such net operating losses will carry forward indefinitely and be available to offset up to 80% of future taxable income each year. During 2020, the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") was passed, which temporarily removes such 80% limitation for years 2020 and 2019. At December 31, 2021, the Company had a valuation allowance of approximately \$7.4 million, primarily related to net operating loss carry forwards that are not more likely than not to be utilized due to an inability to carry back these losses in most states and short carry forward periods that exist in certain states. If the Company is unable to use its net operating losses, it may be required to record charges or reduce its deferred tax assets, which could have an adverse effect on results of operations.

## **RISKS RELATING TO THE CONSTRUCTION SECTOR**

***The Company is dependent upon third-party financing, and its financial condition and results of operations could be negatively affected if additional third-party financing for its customers does not become available***

SG Blocks business and earnings depend substantially on its ability to obtain financing for the development of their construction projects, which may be adversely impacted by the COVID-19 outbreak. The availability and cost of such financing is further dependent on the number of financial institutions participating in the industry, the departure of financial institutions from the industry, the financial institutions' lending practices, the strength of the domestic and international credit markets generally, governmental policies and other conditions, all of which are beyond the Company's control.

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In light of the current economic climate, some of the Company's projects may not be successful in obtaining additional funds in a timely manner, or on favorable terms or at all. The availability of borrowed funds, especially for construction financing, has been greatly reduced and lenders may require project developers to invest increased amounts of equity in a project in connection with both new loans and the extension of existing loans. Unfavorable changes in the availability and terms of financing in the industry will have an adverse effect on certain privately financed projects.

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

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

SG Blocks operates in a very competitive environment, characterized by competition from numerous local, regional, and national builders. The Company may compete for financing, raw materials and skilled management, as well as labor resources. A decline in construction starts could adversely affect demand for its buildings and results of operations. Increased competition could require SG Blocks to further increase its selling incentives and/or reduce its prices, which could negatively affect the Company's profits. SG Blocks may be unable to successfully expand into or compete in the markets in new geographic areas. In addition, while the Company believes its ESR may improve its competitive position by potentially expediting reviews and approvals by state and local building departments and certifying its specific quality control and design acceptance criteria, there is no assurance that it will have the desired impact.

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

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

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

Various domestic and international rules and regulations concerning building, zoning, sales and similar matters apply to and/or affect the construction industry. Governmental regulation affects construction activities, as well as sales activities, mortgage lending activities, and other dealings with consumers. These industries also have experienced an increase in state and local legislation in the United States and regulations that limit the availability or use of land. Municipalities may also restrict or place moratoriums on the availability of utilities, such as water and sewer taps. In some areas, municipalities may enact growth control initiatives, which restrict the number of building permits available in a given year. In addition, the Company may be required to apply for additional approvals or modify its existing approvals because of changes in local circumstances or applicable law. If governments in locations in which SG Blocks operates take actions, they could adversely affect the Company's business by causing delays, increasing costs, or limiting the Company's ability to operate in those areas.

Furthermore, the Company may experience delays and increased expenses as a result of legal challenges to its proposed projects, whether brought by governmental authorities or private parties. Failure to comply with laws or regulations applicable to or affecting SG Blocks, or the passage in the future of new and more stringent laws, may adversely affect the Company's financial condition or results of operations.

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

While the Company believes its insurance coverage is adequate and in line with industry's standards, all construction, including modular construction, involves operating hazards that can cause personal injury or loss of life, severe damage to and destruction of property and equipment and suspension of operations, including, but not limited to, natural or man-made disruptions to the Company's facilities and project sites. The failure of such structures during and after installation can result in similar injuries and damages. Although SG Blocks believes that its insurance coverage is adequate, there can be no assurance that the Company will be able to maintain adequate insurance in the future at rates considered to be reasonable, or that its insurance coverage will be adequate to cover future claims that may arise. Claims for which SG Blocks is not fully insured may adversely affect the Company's working capital and profitability. In addition, changes in the insurance industry have generally led to higher insurance costs and decreased availability of coverage.

#### **RISKS RELATING TO THE CLARITY MOBILE VENTURE SECTOR**

***There can be no assurance that the velocity of COVID-19 tests being conducted by Clarity Mobile Venture will continue at current rates or be effective for new variants of the COVID-19 virus.***

There can be no assurance that the demand for Clarity Mobile Venture's COVID-19 testing and related laboratory services will continue to grow at the current pace. While SG Blocks expects that the coronavirus will be a part of its lives for the foreseeable future, viruses constantly change through mutation, and new variants of the COVID-19 virus are expected to occur over time. The Company's business may be disrupted by the emergence and spread of new variants of the COVID-19 virus that may require different types of tests that may or may not be readily available to the Company at the time. Currently, SG Blocks is deploying several COVID-19 tests, including PCR and Rapid-Antigen tests. No assurance can be given that the COVID-19 tests currently deployed by SG Blocks will be effective for any future variants.

***SG Blocks may be adversely affected by actions of its competitors.***

The market for COVID-19 testing facilities is highly competitive. Many of the Company's competitors have substantially greater financial, technical, and other resources. SG Blocks' ability to compete effectively depends, in part, on market acceptance of its testing solutions and its ability to service customers in a timely manner. There can be no assurance that SG Blocks will be able to compete effectively or that it will respond appropriately to industry trends or to activities of competitors.

***The Company relies on third-party vendors to supply it with the COVID-19 tests that Clarity Mobile Venture uses that, if it were unable to obtain, could adversely affect SG Blocks' business.***

Clarity Mobile Venture relies on third-party vendors to supply it with COVID-19 tests. Any inability to obtain COVID-19 tests in the volumes required and at competitive prices from the Company's vendors or the loss of any major vendor may seriously harm SG Blocks' business because it may not be able to meet the demands of its customers on a timely basis in sufficient quantities or at all.

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## RISKS RELATING TO THE COMPANY'S COMMON STOCK

***Failure to meet the continued listing requirements of the Nasdaq Capital Market could result in a delisting of the Company's common stock.***

SG Blocks' common stock is listed on the Nasdaq Capital Market ("Nasdaq" or the "Nasdaq Capital Market"), which imposes, among other requirements, a minimum bid requirement. Although the Company is currently in compliance with the continued listing requirements of the Nasdaq Capital Market in the past, it has experienced periods of time when it was not compliant with the minimum bid price requirements and, there can be no assurance that it will be able to maintain compliance in the future.

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

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

## Glossary

**Clinical Laboratory Improvement Amendments of 1988 (CLIA)**—Regulations include federal standards applicable to all U.S. facilities or sites that test human specimens for health assessment or to diagnose, prevent, or treat disease.

**Cor-Ten Steel**—Weathering steel, often referred to by the genericized trademark COR-TEN steel (sometimes written without the hyphen as corten steel) is a group of steel alloys which were developed to eliminate the need for painting, and form a stable rust-like appearance after several years of exposure to weather.

**Evaluation Service Report (ESR)**—A document that presents the findings, conclusions, and recommendations from a particular evaluation. ICC-ES Reports verify that new and innovative building products comply with code requirements.

**Gray water recycling technology**—Helps reduce demand for municipal water from wells and reservoirs and also reduces the load on large scale wastewater treatment plants.

**Leadership in Energy and Environmental Design (LEED)**—A rating system devised by the United States Green Building Council (USGBC) to evaluate the environmental performance of a building and encourage market transformation towards sustainable design.

**Special Purpose Entities (SPEs)**—A legally separate business that absorbs risk for a corporation. A special purpose entity can also be designed for the reverse situation, where the assets it holds are secure even if the related corporation enters bankruptcy (which can be important when assets are being securitized).

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