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In Major Vertical Integration, SG Blocks Announces Asset Purchase Agreement to Acquire Modular Manufacturer ECHO DCL

Acquisition offers opportunity to increase SG Blocks' margins, productivity and efficiency

NEW YORK--(BUSINESS WIRE)-- [SG Blocks, Inc.](#) (NASDAQ: SGBX), a leading designer, innovator and fabricator of container/modular-based structures, today announced that it has entered into an agreement to acquire substantially all of the assets of [ECHO DCL](#), except for ECHO DCL's real estate holdings, for which SG Echo has obtained a right of first refusal to acquire same, in a cash and stock transaction, which is a significant vertical integration. ECHO DCL is a container/modular manufacturer and current supplier to SG Blocks based in Durant, Oklahoma specializing in the design and construction of permanent modular and temporary modular buildings.

This press release features multimedia. View the full release here: <https://www.businesswire.com/news/home/20200922005260/en/>



(Photo: Business Wire)

“ECHO has been a most reliable supply chain partner, and their commitment to quality products is what first put them on our radar,” said Paul Galvin, Chairman and CEO of SG Blocks. “This acquisition offers us an opportunity to vertically integrate a large portion of our

cost of goods sold, as well as increase margins, productivity and efficiency in the areas of design, estimating, manufacturing and delivery.”

ECHO current projects with SG Blocks include a \$4 million boutique, mixed-use hospitality development in the [Everglades](#), which was approved for fabrication in July 2020. SG Blocks' acquisition of ECHO DCL will also service the D-Tec orders addressing Covid-19, as well as the [educational](#) and [medical](#) suite of offerings previously announced with Grimshaw Architects.

Since inception, ECHO DCL has catered to meet the space needs of major markets, including military, education, administration facilities, health care, government, commercial and residential manufacturing. Some of the locations where ECHO DCL or its predecessors have previously executed various modular and prefab construction projects include Arizona, California, Florida, Hawaii, Illinois, Texas, and Washington, D.C.

“We’ve enjoyed working closely with SG Blocks in the past and look forward to an even stronger and more longstanding partnership to come,” said Chris Jarrard, ECHO President. “Our missions completely align as far as offering the customers we serve the best possible quality of modular structures, be it in the hospitality sector or other industries turning to container-based solutions.”

The agreement to acquire substantially all the assets of [ECHO DCL](#), except for ECHO DCL’s real estate holdings, for which SG ECHO obtained a right of first refusal to acquire same, is subject to customary closing conditions and expected to close on or before September 23, 2020. Terms of the acquisition provide for the payment to Echo of \$1,059,600 in cash at closing, subject to the escrow of certain of the purchase price funds, and the payment of certain of Echo’s indebtedness by SG Echo, including the obligation to (i) satisfy a Guidance Line of Credit loan (“GLOC Loan”) in the principal amount of approximately \$616,000 (\$316,432 of which payoff proceeds was delivered by Echo to SG Echo at closing), (ii) pay the debt service on certain of Echo’s indebtedness in the approximate principal amount of \$1.7 million for 12 months following the closing, (iii) payoff at maturity a certain line of credit of Echo with BTH Bank in the principal amount of \$500,000, and (iv) the payment of earn out payments equal to the net income received from the acquired business during the 3-month period beginning on the first day of the first full month that is 3 months after the closing date, the 3-month period following the first earn out period and the 3-month period following the second earn out period, payable in 50% in cash and 50% in shares of the Company’s common stock to be valued a \$2.50 per share; provided, that up to approximately \$300,000 of any amounts paid in respect of the GLOC Loan, and any amounts paid in respect of the debt service on Echo’s indebtedness and line of credit with BTH Bank, as described in subparagraphs (i), (ii) or (iii) above, shall be offset against and reduce the earnout payments due to Echo. In no event may the number of shares of common stock to be issued to Echo exceed 19.99% of the Company’s outstanding shares on the date of the agreement.

About SG Blocks, Inc.

SG Blocks, Inc. is a premier innovator in advancing and promoting the use of code-engineered cargo shipping containers for safe and sustainable construction. The firm offers a product that exceeds many standard building code requirements, and also supports developers, architects, builders and owners in achieving greener construction, faster execution, and stronger buildings of higher value. Each project starts with GreenSteel™, the structural core and shell of an SG Blocks building, and then customized to client specifications. For more information, visit www.sgblocks.com.

Forward-Looking Statements

Certain statements in this press release constitute "forward-looking statements" within the meaning of the federal securities laws. Words such as "may," "might," "will," "should," "believe," "expect," "anticipate," "estimate," "continue," "predict," "forecast," "project," "plan," "intend" or similar expressions, or statements regarding intent, belief, or current

expectations, are forward-looking statements. These forward-looking statements are based upon current estimates and assumptions and include statements regarding increasing our margins, productivity and efficiency and the closing of the agreement to acquire the assets of [ECHO DCL](#). While SG Blocks believes these forward-looking statements are reasonable, undue reliance should not be placed on any such forward-looking statements, which are based on information available to us on the date of this release. These forward-looking statements are subject to various risks and uncertainties, many of which are difficult to predict that could cause actual results to differ materially from current expectations and assumptions from those set forth or implied by any forward-looking statements. Important factors that could cause actual results to differ materially from current expectations include, among others, our ability to consummate the acquisition of the assets of ECHO DCL and close the transaction as planned, our ability to position SG Blocks for future profitability, our ability to maintain compliance with the NASDAQ listing requirements, and the other factors discussed in our Annual Report on Form 10-K for the year ended December 31, 2019 and our subsequent filings with the SEC, including subsequent periodic reports on Forms 10-Q and 8-K. The information in this release is provided only as of the date of this release, and we undertake no obligation to update any forward-looking statements contained in this release on account of new information, future events, or otherwise, except as required by law.

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