

## Report of Organizational Actions Affecting Basis of Securities

OMB No. 1545-2224

► See separate instructions.

### Part I Reporting Issuer

1 Issuer's name <b>SG BLOCKS, INC.</b>		2 Issuer's employer identification number (EIN) <b>95-4463937</b>	
3 Name of contact for additional information <b>INVESTOR RELATIONS</b>	4 Telephone No. of contact <b>(646) 240-4235</b>	5 Email address of contact <b>info@sgblocks.com</b>	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact <b>195 MONTAGUE STREET, 14TH FLOOR</b>		7 City, town, or post office, state, and Zip code of contact <b>BROOKLYN, NY 11201</b>	
8 Date of action <b>JUNE 21, 2017</b>		9 Classification and description <b>CONVERSION OF CONVERTIBLE DEBENTURES INTO SHARES OF COMMON STOCK</b>	
10 CUSIP number <b>78418A 307</b>	11 Serial number(s)	12 Ticker symbol <b>SGBX</b>	13 Account number(s)

### Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ► On June 30, 2016, SG Blocks Inc. entered into a Securities Purchase Agreement whereby SG Blocks, Inc. sold 12% original issue discount senior secured convertible debentures in the principal amount of \$2.5 million (subscription price of \$2 million) with a maturity date of June 30, 2018 (hereafter referred to as the "June 30, 2016 Convertible Debentures"). On November 17, 2016, SG Blocks, Inc. entered into a Securities Purchase Agreement whereby SG Blocks, Inc. sold original issue discount senior secured convertible debentures in the principal amount of \$937,500 (subscription price of \$750,000) with a maturity date of June 30, 2018 (hereafter referred to as the "November 17, 2016 Convertible Debentures"). Together, the June 30, 2016 Convertible Debentures and the November 17, 2016 Convertible Debentures shall be referred to as the "2016 Convertible Debentures." On June 21, 2017, at the option of the holders, 56.36 percent of the 2016 Convertible Debentures were converted into 516,667 shares of SG Blocks, Inc. common stock pursuant to the terms of the 2016 Convertible Debentures (hereafter referred to as the "Debenture Conversion"). The conversion ratio was one share of SG Blocks, Inc. common stock for every \$3.75 of debt. Fractional shares were not issued.

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ► Because (1) SG Blocks, Inc. has accrued original issue discount on the 2016 Convertible Debentures such that the holders of the the 2016 Convertible Debentures should have included original issue discount accruals in their gross income, and (2) the 2016 Convertible Debentures are being converted into stock of the obligor corporation (that is, SG Blocks, Inc.), the Debenture Conversion should be a non-realization event for U.S. federal income tax purposes. Accordingly, holders of 2016 Convertible Debentures should allocate their aggregate tax basis (including original issue discount accruals taken into income and added to the adjusted tax basis of the 2016 Convertible Debentures) in their 2016 Convertible Debentures surrendered among the shares of SG Blocks, Inc. common stock received in the Debenture Conversion. In general, a 2016 Convertible Debenture holder's aggregate tax basis in such holder's common shares received in the Debenture Conversion should be equal to the holder's aggregate tax basis in such holder's 2016 Convertible Debentures surrendered.

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ► See line 15, above.

**Part II Organizational Action** (continued)

**17** List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ► The Debenture Conversion should be a non-realization event as described in Revenue Ruling 72-265, 1972-1 C.B. 222 ("Rev. Rul. 72-265"). Moreover, pursuant to Rev. Rul. 72-265, a holder's aggregate tax basis in the shares of common stock received pursuant to the Debenture Conversion should be equal to the holder's aggregate tax basis in the 2016 Convertible Debentures surrendered.

**18** Can any resulting loss be recognized? ► No loss may be recognized by a holder upon the receipt of shares of common stock in exchange for 2016 Convertible Debentures pursuant to the Debenture Conversion. Holders should consult their own tax advisors with respect to the potential tax consequences to them of the Debenture Conversion.

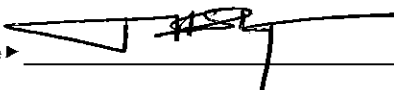
**19** Provide any other information necessary to implement the adjustment, such as the reportable tax year ► The adjustment to basis should be taken into account in the tax year during which the Debenture Conversion was effective.

The tax treatment of a holder may vary depending upon the particular facts and circumstances of the holder. Each holder is urged to consult with the holder's own tax advisor with respect to the consequences of the Debenture Conversion.

**Sign  
Here**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Signature ►



Date ►

July 18, 2017

Print your name ► **Mahesh Shetty**

Title ► **CFO**

**Paid  
Preparer  
Use Only**

Print/Type preparer's name

Preparer's signature

Date

Check ☐ if  
self-employed

PTIN

Firm's name ►

Firm's EIN ►

Firm's address ►

Phone no.