India Globalization Capital, Inc.
Form 10-K
July 14, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

x Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended March 31, 2015

o Transition report pursuant to Section 13 or 15(d) of the Exchange Act of 1934
For the transition period from _____ to _____

Commission file number: 1-32830

INDIA GLOBALIZATION CAPITAL, INC.
(Exact Name of Registrant as Specified in Its Charter)

Maryland	20-2760393
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

4336 Montgomery Avenue, Bethesda, Maryland 20814
(Address of Principal Executive Offices)

Registrant's telephone number, including area code: (301) 983-0998

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

Title of each class	Name of each exchange on which registered
Common Stock	NYSE MKT LLC
Common Stock Purchase Warrants	NYSE MKT LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
o Yes þ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
o Yes þ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
þ Yes o No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
þ Yes o No

Indicate by check mark disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

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

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates as of September 30, 2014 (the last business day of the registrant's most recently completed second fiscal quarter) was $6,504,785 based on the last reported sale price of the registrant's common stock (its only outstanding equity security) of $1.05 per share on that date. All executive officers and directors of the registrant and all 10% or greater stockholders have been deemed, solely for the purpose of the foregoing calculation, to be "affiliates" of the registrant.

As of June 25, 2015, there were 14,860,289 shares of our common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None

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INDIA GLOBALIZATION CAPITAL, INC.

ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED MARCH 31, 2015

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PART IV

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PART I

Item 1. Business

Overview and Corporate Structure

India Globalization Capital, Inc. (“IGC”) is in the process of positioning itself in two of the world’s fastest growing industries -- phytocannabinoid-based biopharmaceuticals and the Internet of Things (“IoT”). We supply electronic and health monitoring components to original equipment manufacturers (OEMs), and develop phytocannabinoid-based therapies for the treatment of a wide range of conditions that are life altering or life threatening. In addition, we build leading edge facilities that can be used to grow and extract pharmaceutical grade phytocannabinoids. We draw unique technological and cost synergies from our electronics and facilities construction business, and our international presence gives us a cost advantage in developing products using phytocannabinoids. As part of our legacy business, in India, we engage in leasing equipment to the construction and other industries.

The Internet of Things is the network of physical objects or "things" embedded with electronics, software, sensors and connectivity to enable objects to exchange data with the manufacturer, operator and/or other connected devices. Phytocannabinoids are chemical compounds, found in cannabis, that exert a range of effects on the human body including, impacting the immune response, gastrointestinal maintenance and motility, muscle functioning, and nervous system response and functioning.

Our short-term plans are to develop, test and patent phytocannabinoid based pharmaceutical therapies, drive our electronics business through partnerships, and build leading edge facilities that can be used to grow and extract pharmaceutical grade phytocannabinoids. Our medium-term plans are to acquire companies or management that can help us advance our bio-pharmaceutical and our technology businesses. Our long-term plan is to establish IGC as a leading provider of phytocannabinoid based pharmaceutical and nutraceutical products.

We are a Maryland corporation formed in April 2005 for the purpose of acquiring one or more businesses with operations primarily in India through a merger, capital stock exchange, asset acquisition or other similar business combination. In March 2006, we completed an initial public offering of our common stock. In February 2007, we incorporated India Globalization Capital, Mauritius, Limited (“IGC-M”), a wholly-owned subsidiary, under the laws of Mauritius. In March 2008, we completed acquisitions of interests in two companies in India, Sricon Infrastructure Private Limited (“Sricon”) and Techni Bharathi Limited (“TBL”). Since March 31, 2013, we beneficially own 100% of TBL after completing the acquisition of the remaining 23.13% of TBL shares that were still owned by the founders of TBL. The 23.13% of TBL was acquired by IGC-MPL, which is a wholly-owned subsidiary of IGC-M. TBL shares are held by IGC-M. TBL is focused on the heavy equipment leasing business. In October 2014, pursuant to a Memorandum of Settlement with Sricon and related parties, IGC received approximately five acres of land in Nagpur, India, valued at approximately $5 million, in exchange for the 22% minority interest IGC had in Sricon.

In February 2009, IGC-M beneficially purchased 100% of IGC Mining and Trading Private Limited (“IGC-IMT”) based in Chennai, India. IGC-IMT was formed in December 2008, as a privately held start-up company engaged in the business of trading iron ore. Its current activity is to trade iron ore. In July 2009, IGC-M beneficially purchased 100% of IGC Materials, Private Limited (“IGC-MPL”) based in Nagpur, India, which conducts our quarrying business, and 100% of IGC Logistics, Private Limited (“IGC-LPL”) based in Nagpur, India, which is involved in the transport and delivery of ore, cement, aggregate and other materials. Together, these companies carry out our iron ore trading business in India.

In December 2011, we acquired a 95% equity interest in Linxi HeFei Economic and Trade Co., known as Linxi H&F Economic and Trade Co., a People’s Republic of China-based company (“PRC Ironman”), by acquiring 100% of the equity of H&F Ironman Limited, a Hong Kong company ("HK Ironman"). Together, PRC Ironman and HK Ironman are referred to as "Ironman." On February 2, 2015, IGC filed a lawsuit for the cancellation of shares that were issued to the shareholders of HK Ironman. The lawsuit is in the preliminary stages and is expected to settle by fiscal year 2017.

In January 21, 2013, we incorporated IGC HK Mining and Trading Limited ("IGC-HK") in Hong Kong. IGC-HK is a wholly-owned subsidiary of IGC-M. In September 2014, we changed the subsidiary's name to IGC Cleantech ("IGC-CT").

On May 31, 2014, we completed the acquisition of 51% of the issued and outstanding share capital of Golden Gate Electronics Limited, a corporation organized and existing under the laws of Hong Kong and now known as IGC International ("IGC-INT"). IGC-INT, headquartered in Hong Kong, operates an e-commerce platform for trading of commodities and electronic components. The purchase price of the acquisition consisted of up to 1,209,765 shares of our common stock, valued at approximately $1,052,496 on the closing date of the acquisition.

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On June 27, 2014, we entered into an agreement with TerraSphere Systems LLC to develop multiple facilities to produce organic leafy green vegetables utilizing TerraSphere's advanced pesticide-free organic indoor farming technology. Under the agreement, we will own 51% of each venture once production is operational, and will have a right of first refusal to participate in all future build-outs. We are required to make an investment in cash in the venture within 60 days after the date of the agreement. Additionally, in consideration for our issuance of 50,000 shares of common stock, we received a seven-year option to purchase TerraSphere Systems for cash or additional shares of our common stock. IGC is in the process of negotiating a return of the advance.

On December 18, 2014, we entered into a Purchase Agreement with Apogee Financial Investments, Inc. ("Apogee"), the previous sole owner of the outstanding membership interests of Midtown Partners & Co., LLC, a Florida limited liability company registered as a broker-dealer under the Securities Exchange Act of 1934 ("Midtown Partners"), and acquired, in an initial closing, 24.9% of the outstanding membership interests in Midtown Partners. In consideration of the initial membership interests, we are required to issue to Apogee 1,200,000 shares of our common stock (subject to downward adjustment based on certain fourth quarter 2014 financial statement matters). Following the receipt of all required SEC, FINRA and other regulatory approvals, we have agreed to acquire, in a final closing, the remaining 75.1% of the outstanding membership interests in Midtown Partners in consideration of our issuance to Apogee of an additional 700,000 shares of our common stock (subject to downward adjustment based on certain financial statement matters prior to the final closing). As of June 30, 2015, Apogee and Midtown Partners had not received the requisite approvals from FINRA. As a result, pursuant to the terms of the Agreement, there are several penalties that will apply, including the cancellation of 700,000 shares of IGC stock and a penalty of $125,000 payable by Apogee to IGC. The parties are in the process of negotiating a settlement.

The following chart sets forth as of July 14, 2015, certain information regarding the corporate structure of our company and our direct and indirect consolidated operating subsidiaries.

Unless the context requires otherwise, all references in this report to "IGC," "we," "our" and "us" refer to India Globalization Capital, Inc., together with our wholly-owned subsidiaries HK Ironman and IGC-M, as well as our direct and indirect subsidiaries PRC Ironman, TBL, IGC-IMT, IGC-MPL, IGC-LPL, IGC-INT and IGC-CT.

Our principal executive offices are located at 4336 Montgomery Avenue, Bethesda, Maryland 20814, and our telephone number is (301) 983-0998. We maintain a website at http:// www.igcinc.us. The information contained on our website is not incorporated by reference in this report, and you should not consider it a part of this report.

Industry Overview and Target Markets

We are developing a product portfolio of phytocannabinoid-based therapies for the treatment of a wide range of therapeutic indications including treatment of neuropathic and cancer pain, epilepsy, end of life supportive care and debilitating pain management, and adjunctive supportive therapies of chronic neurological and oncological diagnoses, all of which are life altering or life threatening. Our target market for some of these therapies is very large. In 2012, the Journal of Pain reported that the annual estimated national cost of treating pain ranges from $560 billion to $635 billion, which is more than the cost of the nation's priority health conditions. We are also developing veterinarian therapies including the treatment of epilepsy in dogs and cats, which represent a significantly smaller but important market.

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We are also designing indoor vertical farming facilities that allow us to position ourselves to grow legal cannabis if and when permitted by federal laws. According to a January 2013 market research report by ArcView, the legal cannabis market was about $1.43 billion and is expected to grow 64% in 2014 to about $2.34 billion. The market is expected to grow to about $10.2 billion over the next five years. Our internal estimate, based on data from Colorado, is that the market for cannabis consumption, if all states and the federal government were to legalize recreational use of cannabis, would be about $40 billion. We expect the market for peripheral products including phytocannabinoid-based nutraceuticals and pharmaceuticals to be larger. There can be no assurance when or if U.S. laws will change to legalize recreational use of cannabis.

According to new research from International Data Corporation (IDC), published in a press release on June 2, 2015, the worldwide Internet of Things market will grow from $655.8 billion in 2014 to $1.7 trillion in 2020. Devices, connectivity and IT services will make up the majority of the IoT market in 2020. Together, they are estimated to account for over two-thirds of the worldwide IoT market in 2020, with devices (modules/sensors) alone representing 31.8% of the total. By 2020, IDC expects that IoT purpose-built platforms, application software and "as a service" offerings will capture a larger percentage of revenue. We target smaller original equipment manufacturers (“OEMs”) that require electronic components for manufacturing devices like routers, lights, cameras, watches and other health care devices. Our platform allows us to connect supply chains in Japan, China and other countries with OEMs. Our current share of the electronic trading market is less than 1% based on revenue.

Core Business Competencies

Our business strategy is (i) to develop a product portfolio of phytocannabinoid-based therapies for end of care and compassionate use and develop infrastructure for growing cannabis and extracting phytocannabinoids; and (ii) to supply electronic parts for the Internet of Things. Our core competencies in these areas are the following:

- A network of doctors, PhDs and intellectual property legal experts that have sophisticated understanding of drug discovery, development, FDA filings, intellectual protection and product formulation.
- Knowledge of growing cannabis strains including hemp for phytocannabinoid extraction.
- Knowledge of the legal status of cannabis in various states and various countries.
- A sophisticated and integrated approach to bidding, modeling, costing, management and monitoring of trading of electronic components, including an e-commerce platform that connects vendors with product manufacturers.
- Knowledge, history and ability to work in the electronics sector in China, Hong Kong and Japan including specific knowledge of sourcing components.
- Strong relationships with several important component manufactures.

Products and Services by Business Area in Fiscal 2015

Trading of electronic components

Our electronic trading activity currently centers on the sale of components manufactured in China and Japan to customers that make products mostly for the Internet of Things and health care. We operate an electronic e-commerce platform that connects supply chains with OEMs in China, Hong Kong, Europe, Japan and a few other countries. Global prices for electronic components have traditionally decreased over time as manufacturing moves to higher automation and lower cost areas. Our current share of the overall market is less than 1% based on revenue.

The table below gives a brief overview of our trading operations in Hong Kong:

Electronic components purchased and sold	Average total cost of components purchased	Average total price of components sold
CMOS, Medical instruments, Power supplies, Integrated circuits, LED lighting	$ 7,035,335	$ 7,609,301

The following are the relevant features of the trading activities carried out by our subsidiary in Hong Kong:

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The company carries out its trading activity based on purchase orders placed by product manufacturers in China, Japan, and Hong Kong. We, in turn, place orders with our listed vendors, located in several countries. There are no long-term contracts both for the purchases and sales made by the subsidiary. During fiscal 2015, our subsidiary did not carry out any value addition to the components sold and the purchases were made based on spot pricing of components. The Company does carry an inventory of components that it believes to be in high demand. There is no hedging of currency.

With respect to the transportation and storage of goods, our subsidiary contracts with local transportation agents for the transportation of goods and manages rental space for storage of components. We have long-term contracts for the warehouses.

In the table included under Note 14 of our consolidated financial statements, we had total property, plant and equipment of $7,784,541 as of March 31, 2015. Of this amount, the value of the three iron ore beneficiation plants in China, including the one under construction (under capital work-in progress), was $6,989,871. We have initiated legal proceedings against the original owners of the mines and beneficiation plants and expect a resolution in fiscal year 2016.

Rental of heavy equipment

According to Deloitte and KOTRA, the total market size of the construction industry in India is estimated at $126 billion. However, various plans by the Indian government to build and modernize Indian infrastructure have yet to materialize. As such, we are less focused on the rental of heavy equipment in India. Through our subsidiary, TBL, we are engaged in renting heavy construction equipment. Our subsidiary has experience in the construction industry having in the past, constructed highways, rural roads, tunnels, dams, airport runways and housing complexes, mostly in southern states. Our current share of the overall market in India is less than 1% based on revenue.

Revenue Contribution by Business Area

The following table sets out the revenue contribution from our operating subsidiaries:

Operating Subsidiaries	Business Area	Fiscal Year Ended March 31, 2015
TBL	Rental heavy equipment	$ 70,956
IGC-INT	Electronic component	7,609,301
Total IGC		$ 7,680,257

Golden Gate Acquisition

On May 31, 2014, we completed the acquisition of 51% of the issued and outstanding share capital of Golden Gate Electronics Limited, a corporation organized and existing under the laws of Hong Kong (“Golden Gate”), from Sunny Tsang Hon Sang, the sole shareholder of Golden Gate, pursuant to the terms of a Stock Purchase Agreement by and among the parties. Golden Gate, headquartered in Hong Kong, operates an e-commerce platform for trading of commodities and electronic components. The purchase price of the acquisition consists of up to 1,209,765 shares of our common stock, valued at approximately $1,052,496 on the closing date of the Stock Purchase Agreement.

Golden Gate, headquartered in Hong Kong, operates an e-commerce platform that connects supply chains with OEMs. Golden Gate operates several bank lines of credit facilities and uses an electronic trading e-commerce platform to position itself as the supply chain partner for equipment manufacturers, traders and service providers. It is an international broker that strives to solve urgent sourcing needs. Golden Gate was profitable in the fiscal year ended March 31, 2014, with unaudited revenue of approximately $10,000,000.

Pursuant to the terms of the Stock Purchase Agreement, the shares are issuable in four installments, with 205,661 shares having been issued at closing. The balance of the shares are issuable in increments of (i) 205,660 shares following the audit for our fiscal year ending March 31, 2015 for achieving target revenue of HK$75.0 million, and earnings of HK$2.25 million for the period from July 1, 2014 to March 31, 2015, (ii) 399,222 shares following the audit for our fiscal year ending March 31, 2016 for achieving target revenue of HK$160.0 million, and earnings of HK$8.0 million during the 2016 fiscal year, and (iii) 399,222 shares following the audit for our fiscal year ending March 31, 2017 for achieving target revenue of HK$235.0 million, and earnings of HK$14.0 million during the 2017 fiscal year, with the shares delivered by us in each period on a prorated basis if the earnings targets are not fully satisfied. For convenience, on June 4, 2014, the U.S. dollar foreign exchange rate in late New York trading was $1.00 =HK$7.75

Notwithstanding the foregoing targets, in the event Golden Gate completes an initial public offering in China or Hong Kong before September 30, 2017, and less than all of our shares have then been issued under the Stock Purchase Agreement, the remaining unissued shares will be issued to Golden Gate, provided the initial public offering price values Golden Gate higher than in accordance with this transaction.

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The Stock Purchase Agreement provides for "put" options under various circumstances that would allow us and Golden Gate to reverse the transaction by returning each other's shares. The put option held by Mr. Tsang Hon Sang would be triggered based on our share price dropping below certain minimum preset share prices for extended periods of time or the suspension of trading or delisting of our shares. The put option held by us would be triggered if Golden Gate has accumulated negative earnings for any of the next three fiscal years, and both parties have a put option if certain loan facilities cannot be renewed or new bank loans cannot be obtained.

Partnership with TerraSphere Systems

On June 27, 2014, we entered into an agreement with TerraSphere Systems, LLC to develop multiple facilities to produce organic leafy green vegetables utilizing TerraSphere's advanced pesticide-free organic indoor farming technology. Under the agreement, IGC will own 51% of each venture once production is operational, and will have a right of first refusal to participate in all future build-outs. IGC is required to make an investment in cash in the venture within 60 days after the date of agreement and, in consideration for IGC's issuance of 50,000 shares of its common stock, IGC received a seven-year option to purchase the venture for cash or additional shares of its common stock. IGC is in the process of negotiating a return of the advance.

Midtown Partners & Co., LLC Purchase Agreement

On December 18, 2014, IGC entered into a Purchase Agreement with Apogee, the previous sole owner of the outstanding membership interests of Midtown Partners & Co., LLC, a Florida limited liability company registered as a broker-dealer under the Securities Exchange Act of 1934 ("Midtown"), and acquired, in an initial closing, 24.9% of the outstanding membership interests in Midtown. In consideration of the initial membership interests, we are required to issue to Apogee 1,200,000 shares of our common stock (subject to downward adjustment based on certain Q4 2014 financial statement matters). Following the receipt of all required SEC, FINRA and other regulatory approvals, we have agreed to acquire, in a final closing, the remaining 75.1% of the outstanding membership interests in Midtown in consideration of our issuance to Apogee of an additional 700,000 shares of our common stock (subject to downward adjustment based on certain financial statement matters prior to the final closing). As of June 30, 2015, Apogee and Midtown Partners had not received the requisite approvals from FINRA. As a result, pursuant to the terms of the Agreement, there are several penalties that will apply, including the cancellation of 700,000 shares of IGC stock and a penalty of $125,000. The parties are in the process of negotiating a settlement.

Our Customers

In fiscal year 2015, our customers were product developers and product manufacturers that make routers, cameras, and health care products. In India, our present and past customers include the National Highway Authority of India, several state highway authorities, the Indian railways, and private construction companies.

Growth and Expansion Strategy

Our current focus is in two areas:

- We plan to continue investments in the development of a portfolio of phytocannabinoid-based therapies and the deployment of infrastructure; and

- we expect to expand the trading business by using the bank lines that are available under IGC International. We also plan to expand the geographic areas covered by IGC International to India and possibly the United States.

Competition and Competitive Advantage

The development of phytocannabinoid-based therapies is currently not very competitive. We compete with larger pharmaceutical companies, of which we know of two, and small companies, of which we know of three, eager to make an impact in the field. Our competitive advantage is based on experience and deep knowledge of medicine, biochemistry, intellectual property protection, FDA trails, extraction techniques, knowledge of cannabis strains and strategy. In the electronic trading business we compete on price, low overheads and low marketing expenses.

Sales and Marketing

For our electronic business, our sales force located in Hong Kong and China consists of individuals that have expertise and contacts in the electronic product development sector. The sales individual follows the list of bidders for the supply of electronic components and partners with component manufacturers to bid on the order. Much of this is automated by our e-commerce platform that connects manufacturers to product developers. Once a contract is awarded, we then ensure smooth and high quality logistics and supply to meet deadlines. Frequently, our sales force will call on suppliers and customers and negotiate an acceptable price point for the components.

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Technology Platform and Intellectual Property

We have intellectual property attorneys that file patents or provisional patent applications for a combination of copyright, trademark and trade secret laws of general applicability, employee confidentiality and invention assignment agreements and other intellectual property protection methods to safeguard our technology and development. We have applied for preliminary patents on phytocannabinoid-based therapies in the areas of pain management and medical refractory epilepsy. Our subsidiary, IGC International, has a proprietary electronic trading platform that matches buyers, products and sellers.

Employees and Consultants

As of July 14, 2015, we employed a work force of approximately 55 employees and contract workers in the United States, India, China and Hong Kong. We have a total of 21 full-time employees, with the rest being part-time or seasonal.

Governmental Regulations

In the United States, cannabis and certain compounds derived from the cannabis plant are considered to be a controlled substance. The production, processing and sale of cannabis is considered illegal under federal laws. However, these business activities are considered legal in some states. Our policy is to remain compliant with both federal and state laws.

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Item 1A. Risk Factors

You should carefully consider the following risk factors, together with all of the other information included in this report in evaluating our company and our common stock. If any of the following risks and uncertainties develops into actual events, they could have a material adverse effect on our business, financial condition or results of operations. In that case, the trading price of our common stock and other securities also could be adversely affected. We make various statements in this section which constitute “forward-looking statements.” See “Forward-Looking Statements.”

Risks Related to Our Business and Expansion Strategy

Our diversification strategy depends on our ability to find accretive acquisitions and attract management.

The success of our acquisition and diversification strategy will depend on our ability to identify suitable companies to acquire in attractive industries, to complete those acquisitions on terms that are acceptable to us and in the timeframes and within the budgets we expect, and to thereafter improve the results of operations of the acquired companies and successfully integrate their operations on an accretive basis. There can be no assurance that we will be successful in any or all of these steps.

We may be unable to continue to scale our operations, make acquisitions or continue as a going concern if we do not successfully raise additional capital.

If we are unable to successfully raise the capital we need we may need to reduce the scope of our businesses to fully satisfy our future short-term liquidity requirements. If we cannot raise additional capital or reduce the scope of our business, we may be otherwise unable to achieve our goals or continue our operations. We have incurred losses from operations in our prior two fiscal years and have a lack of liquidity for expansion. While we believe that we will be able to raise the capital we need to continue our operations, there can be no assurance that we will be successful in these efforts or will be able to raise enough capital for planned expansion.

We have a history of operating losses and there can be no assurance that we can again achieve or maintain profitability.

Our short-term focus is to become profitable. However there can be no guarantee that our efforts will be successful. Even if we again achieve profitability, given our dependence on global GDP growth and macroeconomic factors, we may not be able to sustain profitability and our failure to do so would adversely affect our businesses, including our ability to raise additional funds.

We expect to acquire companies and we are subject to evolving and often expensive corporate governance regulations and requirements. Our failure to adequately adhere to these requirements, and comply with them with regard to acquired companies, some of which may be non-reporting entities, or the failure or circumvention of our controls and procedures could seriously harm our business and affect our status as a reporting company listed on a national securities exchange.

As a public reporting company whose shares are listed for trading on the NYSE MKT, we are subject to various regulations. Compliance with these evolving regulations is costly and requires a significant diversion of management time and attention, particularly with regard to our disclosure on controls and procedures and our internal control over financial reporting. Our internal controls and procedures may not be able to prevent errors or fraud in the future. However, we cannot guarantee that we can establish internal controls over financial reporting immediately on companies that we acquire. Thus, faulty judgments, simple errors or mistakes, or the failure of our personnel to enforce controls over acquired companies or to adhere to established controls and procedures, may make it difficult for us to ensure that the objectives of our control systems are met. A failure of our controls and procedures to detect other than inconsequential errors or fraud could seriously harm our ability to continue as a reporting company listed on a national securities exchange.

We have a limited senior management team size that may hamper our ability to effectively manage a publicly traded company and manage acquisitions and that may harm our business.

Since we operate in several foreign countries, we use consultants, including lawyers and accountants, to help us comply with regulatory requirements on a timely basis. As we expand, we expect to increase the size of our senior management. However, we cannot guarantee that in the interim period our senior management can adequately manage the requirements of a public company and the integration of acquisitions, and any failure to do so could lead to the imposition of fines, penalties, harm our business, status as a reporting company and our listing on the NYSE MKT.