

SMG Indium Resources Ltd.  
Form 10-K  
March 28, 2016

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-K**

**(Mark one)**

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

**For the year ended December 31, 2015**

**OR**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File Number 000-54391**

**SMG INDIUM RESOURCES LTD.**

**(Exact name of registrant as specified in its charter)**

**Delaware**

**51-0662991**

**(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)**

**176 LaGuardia Ave.,  
Staten Island, New York, 10314**

**(347) 286-0712**

**(Address of principal executive offices, including zip code)**

**(Registrant's telephone number, including area code)**

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

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

<b>Common Stock, par value \$.001 per share</b>	<b>Warrants</b>	<b>Units</b>
<b>(Title of Class)</b>	<b>(Title of Class)</b>	<b>(Title of Class)</b>

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes  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. Yes  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 requirement for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, 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 the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§232.405 of this chapter) is not contained herein, and will not be contained, to the best of the 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 10K.  
Yes  No

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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 definitions of “large accelerated filer”, “accelerated filer”, and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

The aggregate market value of the registrant’s common stock held by non-affiliates computed by reference to the price at which the common stock was last sold as of June 30, 2015 was \$1,677,271.

The number of shares of the registrant’s common stock outstanding as of March 25, 2016 was 1,744,569.

**Documents Incorporated by Reference**

**None**

**SMG Indium Resources Ltd.**

**Annual Report on Form 10-K**

**For the Year Ended December 31, 2015**

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### **Cautionary Statement Regarding Forward-Looking Statements**

Unless otherwise indicated, the terms “SMG Indium,” “SMG,” the “Company,” “we,” “us,” and “our” refer to SMG Indium Resources Ltd. In this Annual Report on Form 10-K, we may make certain forward-looking statements, including statements regarding our plans, strategies, objectives, expectations, intentions and resources that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The Securities and Exchange Commission (“SEC”) encourages companies to disclose forward-looking information so that investors can better understand a company’s future prospects and make informed investment decisions. This Annual Report on Form 10-K contains such “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements may be made directly in this Annual Report, and they may also be made a part of this Annual Report by reference to other documents filed with the Securities and Exchange Commission, or SEC, which is known as “incorporation by reference.”

The statements contained in this Annual Report on Form 10-K that are not historical fact are forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995), within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended and Section 27A of the Securities Act of 1933, as amended. Forward-looking statements may be identified by the use of forward-looking terminology such as “should,” “could,” “may,” “will,” “expect,” “believe,” “estimate,” “anticipate,” “intends,” “continue,” or similar terms or variations of those terms or the negative of those terms. All forward-looking statements are management’s present expectations of future events and are subject to a number of risks and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. These statements appear in a number of places in this Form 10-K and include statements regarding the intent, belief or current expectations of SMG Indium Resources Ltd. Forward-looking statements are merely our current predictions of future events. Investors are cautioned that any such forward-looking statements are inherently uncertain, are not guaranties of future performance and involve risks and uncertainties. Actual results may differ materially from our predictions. There are a number of factors that could negatively affect our business and the value of our securities, including, but not limited to, fluctuations in the market price of our common stock; changes in our plans, strategies and intentions; changes in market valuations associated with our cash flows and operating results; the impact of significant acquisitions, dispositions and other similar transactions; our ability to attract and retain key employees; changes in financial estimates or recommendations by securities analysts; asset impairments; decreased liquidity in the capital markets; and changes in interest rates. Such factors could materially affect our Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to our Company. Although we have sought to identify the most significant risks to our business, we cannot predict whether, or to what extent, any of such risks may be realized, nor is there any assurance that we have identified all possible issues that we might face.

In light of these assumptions, risks and uncertainties, the results and events discussed in the forward-looking statements contained in this Annual Report on Form 10-K or in any document incorporated by reference might not occur. Stockholders are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K or the date of the document incorporated by reference in this Annual Report on Form 10-K, as applicable. We are not under any obligation, and we expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise

except as may be required by applicable law. All subsequent forward-looking statements attributable to the Company or to any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We urge readers to carefully review and consider the various disclosures we make in this report and our other reports filed with the SEC that attempt to advise interested parties of the risks, uncertainties and other factors that may affect our business including the risk factors included herein under Item 1A “Risk Factors.”

## **PART I**

### **Item 1. *Business***

#### **Introduction**

We were incorporated under the laws of the State of Delaware on January 7, 2008. Since inception, our primary business purpose has been to stockpile indium, a specialty metal that is being increasingly used as a raw material in a wide variety of consumer electronics manufacturing applications. As of December 31, 2014, we sold all of the indium from our stockpile. As a result, we are no longer in the business of purchasing and selling indium. We have begun evaluating strategic options including the acquisition of a new line of business or the sale or full liquidation of the Company. In connection therewith, we have engaged one of our directors to assist in identifying, evaluating and negotiating strategic transactions and have agreed to pay that director \$50 thousand in 2016 for these services. However, there can be no assurance that we will enter into any such transaction, and if so, on terms favorable to us.

In December 2014, we repurchased 6,678,358 shares of our common stock (representing 78% of our then issued and outstanding shares of common stock) in a tender offer (the Tender Offer) for an aggregate purchase price of approximately \$16.1 million, or \$2.41 per share. Shares not purchased in the Tender Offer because of proration or conditional tenders were returned to the tendering stockholders. Shares having an aggregate purchase price of more than approximately \$16.1 million were properly tendered and not properly withdrawn. There were 1,883,639 shares of our common stock outstanding after the Tender Offer. During the third quarter of 2015, our board of directors (Board) approved a program to repurchase up to \$650 thousand in shares of our common stock. In connection therewith, we repurchased 139,070 shares of our common stock in September 2015 for approximately \$0.2 million, or \$1.40 per share. At December 31, 2015, 1,744,569 shares of our common stock were outstanding.

In December 2015, our Board approved a cash distribution to stockholders in the amount of \$1.75 per common share (or approximately \$3.05 million). The distribution was a return of capital for tax purposes. The aggregate cash distribution was recorded against additional paid-in capital for accounting purposes.

At December 31, 2015, we had approximately \$1.0 million in cash and cash equivalents. Our annual cash operating expenses are estimated to be approximately \$0.4 million in 2016 while we review our strategic options. Accordingly, we believe that we have sufficient funds to sustain operations for at least the next two years.



In 2015, management services were provided under an arrangement with Nano-Cap Advisors LLC (Nano) in which Ailon Z. Grushkin, Chairman of our Board, President and Chief Executive Officer is the sole shareholder. Under the arrangement, which was approved by our Board, we agreed to pay Nano \$90 thousand in 2015 to provide management services and office space. During the first quarter of 2016, we entered into an agreement with Nano to continue to provide such services in 2016 for a fee of \$70 thousand.

We are not legally prohibited from pursuing other business strategies pursuant to our certificate of incorporation, as amended, or any other corporate document. We will promptly notify stockholders of any modifications to our stated business plan. Our operations have been limited to purchasing, stockpiling, lending or leasing the metal indium. As of December 31, 2014, we sold our entire indium stockpile. We have begun evaluating strategic options including the merger or acquisition of a new line of business or the sale or full liquidation of the Company, which would require approval of our Board and will require stockholder approval.

## **Employees**

We have no full-time employees. Our Chief Executive Officer and President provides services to us on a part time basis under an agreement with Nano. Our Chief Financial Officer is a part-time employee and our administrative assistant is a part-time independent contractor. Prior to 2015, our Chief Executive Officer, President and Chief Operating Officer provided services to us through Specialty Metals Group Advisors LLP (“the Former Manager”).

## **Corporate Information**

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and beneficial ownership reports on Forms 3, 4 and 5 filed on behalf of directors and executive officers and any amendments to such reports filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act have been filed with the Securities and Exchange Commission (SEC). Such reports and other information that we file with the SEC are available on our website at <http://www.smg-indium.com> when such reports are filed with the SEC. Copies of this Annual Report on Form 10-K may also be obtained without charge electronically or by paper by contacting Ailon Grushkin, SMG Indium Resources Ltd., by calling (347) 286-0712.

The public may also read and copy the materials we file with the SEC at its Public Reference Room at 100 F Street, N.E., Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC. References to our website and the SEC’s website are intended to be inactive textual references and the contents of these websites are not incorporated into this filing.



**Item 1A. Risk Factors**

*Investing in our securities involves a high degree of risk. Before purchasing our common stock or warrants, you should carefully consider the following risk factors as well as other information contained in this Report, including our financial statements and the related notes. The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties that we are unaware of, or that we currently deem immaterial, also may become important factors that affect us. If any of the following risks occur, our business, financial condition or results of operations could be materially and adversely affected. In that case, the trading price of our securities could decline, and you may lose some or all of your investment.*

**Factors That May Affect Our Business and Results of Operations**

*We currently have no operating business.*

We currently have no operating business or plans to develop one. We have begun evaluating strategic options including the acquisition of a new line of business or the sale or full liquidation of the Company. However, there can be no assurance that we will enter into any such transaction, and if so, on terms favorable to us. Since December 31, 2014, our efforts have been limited to meeting our regulatory filing requirements and searching for strategic alternatives.

*One of our principal stockholders controls a substantial interest in us and thus may influence certain actions requiring a stockholder vote.*

William C. Martin, a former director, beneficially owns approximately 45.0% of our outstanding common stock with voting rights through a wholly owned entity Raging Capital Master Fund, Ltd. (formerly Raging Capital Fund L.P and Raging Capital Fund (QP), L.P) and his Individual Retirement Account. This percentage ownership does not take into consideration the potential exercise of any stock options and warrants controlled by William C. Martin either individually or through his affiliates. Mr. Martin is able to influence the outcome of all matters requiring stockholder approval, including the election of directors, amendment of our certificate of incorporation and approval of significant corporate transactions. The interests of Mr. Martin and our stockholders' interests may not always align, and taking actions, which require stockholder approval, such as selling the company, may be controlled by Mr. Martin if he agrees with the strategy, or may be more difficult to accomplish if he disagrees with the strategy. We have begun evaluating strategic options including the merger or acquisition of a new line of business or the sale or full liquidation of the Company. Furthermore, in the event that Mr. Martin elects to sell a significant portion of his interest in the Company, such sale may materially affect the Company and our stock price could decrease.

***There may be a lack of investment liquidity in our shares because we are not a mutual fund, a closed end fund, a trust company, an ETF or an ETN.***

We are not a mutual fund, a closed end fund, a trust company, an exchange traded fund (ETF) or an exchange traded note (ETN) and our shares are not quoted on a national exchange. Therefore, an investment in our common shares is not redeemable and liquidity may be limited. Furthermore, our principal stockholder currently owns 45% of our common shares, which are subject to restrictions on transfer, including time and volume limitations under Rule 144, which serves to further reduce the float of common stock and its liquidity.

***Our securities have had limited trading since our IPO, the price of our warrant and common stock may experience extreme price and volume fluctuations and any volatility in our common stock price could result in claims against us.***

An active public market for our common stock or warrants has not developed or been sustained since our IPO. The market price of our securities has declined below the IPO price. The market price of our common stock may fluctuate significantly in response to the following factors, some of which are beyond our control:

- variations in our quarterly operating results;
- our announcements of significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;
- additions or departures of key personnel;
- future sales of securities; and
- changes in financial estimates by securities analysts.

In the past, securities class action litigation has been brought against a company following periods of volatility in the market price of its securities. Securities litigation could result in substantial costs and divert management's attention and resources.

*We may issue additional shares of our common stock that would result in a dilution of our stockholders.*

We are authorized to issue up to 25,000,000 shares of common stock, par value \$0.001 per share, and 1,000,000 shares of preferred stock, par value \$0.001 per share. Currently, there are 15,517,660 authorized but unissued shares of our common stock available for issuance (after appropriate reservation for the issuance of shares of common stock upon full exercise of 6,753,701 outstanding warrants, 845,000 shares reserved under our stock option plan). Although we currently have no commitment, we may issue a substantial number of additional shares of our common or preferred stock, or a combination of common and preferred stock to obtain future financing.

The issuance of additional shares of our common stock or any number of shares of our preferred stock:

- may significantly reduce the equity interest of our stockholders;
  - may subordinate the rights of holders of common stock if preferred stock is issued with rights senior to those afforded to the holders of our common stock;
- will likely cause a change in control if a substantial number of our shares of common stock are issued, which may, among other things, result in the resignation or removal of our present officers and directors; and
- may adversely affect prevailing market prices for our common stock.

*We may need to raise additional capital and may encounter unforeseen costs. If the terms on which the additional capital is available are unsatisfactory or if the additional capital is not available at all, we may not be able to pursue our objective and strategy.*

Our expenses are funded from cash on hand. Once such cash available has been spent, we will be required to generate cash resources from debt incurrence or the sale of additional equity securities. Our ability to obtain additional financing in the future will depend in part upon the prevailing capital market conditions, as well as our business performance. We may not be successful in our efforts to arrange additional financing on terms satisfactory to us or at all. If additional financing is raised by the issuance of common stock, stockholders may suffer additional dilution and if additional financing is raised through debt financing, it may involve significant restrictive covenants, which could affect our ability to operate our business. If adequate funds are not available, or are not available on acceptable terms, we may not be able to continue our operations or take advantage of opportunities in connection with any strategic options.

***We may choose to redeem our outstanding warrants at a time that is disadvantageous to our warrant holders.***

Subject to there being a current prospectus with respect to the common stock issuable upon exercise of the warrants, we may redeem the warrants included in our units at any time in whole and not in part, at a price of \$.01 per warrant, upon a minimum of 30 days prior written notice of redemption, if and only if, the last sales price of our common stock equals or exceeds \$8.00 per share for any 20 trading days within a 30-trading day period ending three business days before we send the notice of redemption. In addition, we may not redeem the warrants unless the warrants comprising the units sold in the IPO and the shares of common stock underlying those warrants are covered by an effective registration statement from the beginning of the measurement period through the date fixed for the redemption. Redemption of the warrants could force the warrant holders (i) to exercise the warrants and pay the exercise price at a time when it may be disadvantageous for the holders to do so, (ii) to sell the warrants at the then current market price when they might otherwise wish to hold the warrants, or (iii) to accept the nominal redemption price which, at the time the warrants are called for redemption, is likely to be substantially less than the market value of the warrants. We expect most purchasers of our warrants will hold their securities through one or more intermediaries and consequently warrant holders are unlikely to receive notice directly from us that the warrants are being redeemed. If the warrant holder fails to receive notice of redemption from a third-party and the warrants are redeemed for nominal value, warrant holders will not have recourse to us.

***We are required to use our best efforts to have an effective registration statement covering the issuance of the shares of common stock underlying the warrants at the time that our warrant holders exercise their warrants. We cannot guarantee that a registration statement will be effective, in which case our warrant holders may not be able to exercise our warrants.***

Holders of our warrants will be able to exercise the warrants only if (i) a current registration statement under the Securities Act of 1933, as amended (the "Securities Act") relating to the shares of our common stock underlying the warrants is then effective and (ii) such shares of common stock are qualified for sale or exempt from qualification under the applicable securities laws of the states in which the various holders of warrants reside. We have a contractual obligation, to use our best efforts to maintain a current registration statement covering the shares of common stock underlying the warrants to the extent required by federal securities laws, and we intend to comply with our undertaking. We may not be able to comply with such undertaking. In addition, we agreed to use our reasonable efforts to register the shares of common stock underlying the warrants under the blue sky laws of the states of residence of the existing warrant holders, to the extent an exemption is not available. The value of the warrants may be greatly reduced if a registration statement covering the shares of common stock issuable upon the exercise of the warrants is not kept current or if the securities are not qualified, or exempt from qualification, in the states in which the holders of warrants reside. Holders of warrants who reside in jurisdictions in which the shares of common stock underlying the warrants are not qualified and in which there is no exemption will be unable to exercise their warrants and would either have to sell their warrants in the open market or allow them to expire unexercised. If and when the warrants become redeemable by us, we may exercise our redemption right even if we are unable to qualify the underlying securities for sale under all applicable state securities laws. Due to the fact that the exercise price of the warrants is 32,857% higher than the trading price of our common stock at December 31, 2015, we have not filed a current registration statement for the warrants.



*We depend upon our senior management and his loss or unavailability could put us at a competitive disadvantage.*

We currently depend upon the efforts and abilities of our senior executive officer, Ailon Z. Grushkin, our Chairman of the Board, Chief Executive Officer and President. The loss or unavailability of the services of this individual for any significant period of time would have a material adverse effect on our business, prospects, financial condition and results of operations. Further, we have not purchased any key-man insurance for our senior executive officer.

*Our officers and directors may allocate their time to other businesses, thereby causing conflicts of interest regarding the amount of time such officers and directors devote to our affairs, which could affect our business.*

Our officers and directors are not required to commit their full time to our affairs, which could create a conflict of interest when allocating their time between our operations and their other commitments. Our executive officers and directors are currently employed by other entities and are not obligated to devote any specific number of hours to our affairs. If other entities require them to devote more substantial amounts of time to their business and affairs, it could limit their ability to devote time to our affairs and could have a negative impact on our operations. These conflicts may not be resolved in our favor.

*Stockholders do not have the protections associated with ownership of shares in an investment company registered under the Investment Company Act of 1940, as amended, or the protections afforded by the Commodity Exchange Act of 1936 (Commodity Exchange Act or CEA).*

We are not registered as an investment company under the Investment Company Act of 1940, as amended, and are not required to register under such act. Consequently, stockholders do not have the regulatory protections provided to investors in investment companies. We will not hold or trade in commodity futures contracts regulated by the CEA, as administered by the Commodity Futures Trading Commission (CFTC). Furthermore, we are not a commodity pool for purposes of the CEA, and we are not subject to regulation by the CFTC as a commodity pool operator or a commodity trading advisor in connection with our securities. Consequently, stockholders do not have the regulatory protections provided to investors in CEA-regulated instruments or commodity pools.

## **Risks Related to Our Common Stock and Warrants**

*It is uncertain as to whether we will continue to pay any cash distributions on our common stock in the foreseeable future.*



During 2015, we made a cash distribution to our stockholders of \$1.75 per common share. In 2014, we tendered for 78% of our outstanding common stock for an aggregate purchase price of approximately \$16.1 million. Any future determination to make cash distributions to stockholders will be at the discretion of our Board and will depend on our financial condition, results of operations, capital requirements and other factors that our Board deems relevant. At this time, we do not anticipate making any future cash distributions. Our Board, however, may consider paying dividends in the future once it has evaluated potential strategic options for the business. In addition, the terms of any future debt or credit facility may preclude us from paying dividends.

***If an active, liquid trading market for our securities does not develop, holders of our securities may not be able to sell their common stock or warrants quickly or at or above their purchase price.***

An active and liquid trading market for our securities has not developed or been sustained. Holders of our securities may not be able to sell their common stock or warrants quickly or at or above their purchase price if trading in our securities is not active.

***Our outstanding options and warrants may have an adverse effect on the market price of common stock and make it more difficult to obtain future financing.***

As of December 31, 2015, we have outstanding warrants and options to purchase up to 7,318,700 shares of common stock issued and outstanding. The sale or even the possibility of sale of the shares of common stock underlying the warrants and such options could have an adverse effect on the market price for our securities or on our ability to obtain future financing. If and to the extent these warrants and options are exercised, holders may experience dilution to their holdings.

***We could issue “blank check” preferred stock without stockholder approval with the effect of diluting then current stockholder interests and impairing their voting rights.***

Our certificate of incorporation, as amended, authorizes the issuance of up to 1,000,000 shares of “blank check” preferred stock with designations, rights and preferences as may be determined from time to time by our Board. Accordingly, our Board is empowered, without stockholder approval, to issue a series of preferred stock with dividend, liquidation, conversion, voting or other rights which could dilute the interest of, or impair the voting power of, our common stockholders. The issuance of a series of preferred stock could be used as a method of discouraging, delaying or preventing a change in control. For example, it would be possible for our Board to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to change control of our company.



***Our securities are quoted on the OTC Bulletin Board and the OTCQB, which limits the liquidity and price of our securities more than if our securities were to be quoted or listed on the Nasdaq Stock Market or another national exchange.***

Our common stock and warrants trade in the over-the-counter market and are quoted on the OTC Bulletin Board, a FINRA-sponsored and operated inter-dealer automated quotation system for equity securities not included in the Nasdaq Stock Market, and/or the OTCQB, a similar marketplace operated by Pink OTC Markets Inc. Quotation of our securities on the OTC Bulletin Board and the OTCQB limits the liquidity and price of our securities more than if our securities were quoted or listed on the Nasdaq Stock Market or a national exchange. Lack of liquidity limits the price at which our securities may be sold or whether our securities may be sold at all.

***A market for our securities may cease to exist, which would adversely affect the liquidity and price of our securities.***

Our securities are quoted on the OTC Bulletin Board and the OTCQB. Stockholders and prospective stockholders have only limited access to information about prior trading history on which to base their investment decision. The price of our securities may vary significantly due to our reports of operating losses, one or more potential business transactions, the filing of periodic reports with the SEC and general market and economic conditions. An active trading market for our securities may never develop or, if developed, it may not be sustained. In addition, the price of the securities varies due to general economic conditions and forecasts, our general business condition and the release or our financial reports. Unless a market can be established or sustained, holders of our securities may be unable to sell their securities.

***Our common stock is subject to the “penny stock” rules of the SEC and the trading market in our common stock is limited, which makes transactions in our common stock cumbersome and may reduce the value of an investment in our common stock.***

The SEC has adopted Rule 15c-9 which generally define a “penny stock” to be an equity security that has a market price of less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exceptions. Exceptions include equity securities issued by an issuer that has (i) net tangible assets of in excess of \$2 million, if such issuer has been in continuous operation for more than three years, or (ii) net tangible assets of in excess of \$5 million, if such issuer has been in continuous operation for less than three years, or (iii) average revenue of at least \$6 million for the preceding three years. Unless an exception is available, the regulations require, that prior to any transaction involving a penny stock, a risk disclosure schedule must be delivered to the buyer explaining the penny stock market and its risks.

Generally, brokers may be less willing to execute transactions in securities subject to the “penny stock” rules. This may make it more difficult for investors to dispose of our common stock and cause a decline in the market value of our stock.

***Provisions in our charter documents and Delaware law may inhibit a takeover of us, which could limit the price investors might be willing to pay in the future for our common stock and could entrench management.***

Our charter and bylaws contain provisions that may discourage unsolicited takeover proposals that stockholders may consider to be in their best interests.

Moreover, our Board has the ability to designate the terms of, and issue new series of preferred stock.

We are also subject to anti-takeover provisions under Delaware law, which could delay or prevent a change of control. Together these provisions may make more difficult the removal of management and may discourage transactions that otherwise could involve payment of a premium over prevailing market prices for our securities.

#### **Item 1B. *Unresolved Staff Comments***

None.

#### **Item 2. *Properties***

We maintain our principal executive offices at 176 LaGuardia Ave., Staten Island, New York 10314 under an arrangement with Nano-Cap Advisors LLC for management services.

#### **Item 3. *Legal Proceedings***

There are no legal proceedings currently pending or, to our knowledge, threatened against us.

#### **Item 4. *Mine Safety Disclosures***

Not applicable.

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**PART II****Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*****Market Price and Dividend Information**

Our common stock and warrants are quoted on the OTC Bulletin Board and/or the marketplace operated by Pink OTC Markets Inc. ("OTCQB") under the symbols "SMGI" and "SMGIW." The following table sets forth the high and low sales prices for common stock and warrants, as reported by the OTCQB.

***Quarterly Price Ranges***

Quarter Ended	Common Stock*		Warrants	
	High	Low	High	Low
March 31, 2015	\$ 0.35	\$ 0.31	\$0.0145	\$0.0145
June 30, 2015	\$ 0.33	\$ 0.30	\$0.0200	\$0.0145
September 30, 2015	\$ 0.32	\$ 0.29	\$0.0180	\$0.0100
December 31, 2015	\$ 0.40	\$ 0.17	\$0.0145	\$0.0065
March 31, 2014	\$ 0.38	\$ 0.28	\$0.14	\$0.08
June 30, 2014	\$ 0.38	\$ 0.33	\$0.10	\$0.03
September 30, 2014	\$ 0.39	\$ 0.32	\$0.06	\$0.03
December 31, 2014	\$ 0.40	\$ 0.29	\$0.05	\$0.01

As of March 16, 2016, the closing sales price of our common stock and warrants on the OTC Bulletin Board was \$0.20 and \$0.004, respectively. As of March 16, 2016, there were approximately 146 stockholders of record of our common stock.

\* As published on Bloomberg L.P., adjusted to reflect a special cash distribution paid in December 2015 of \$1.75 per share of common stock.

**Dividend Policy**

We paid \$1.75 per common share in a return of capital cash distribution to our stockholders in December 2015 for an aggregate amount of \$3.052 million. There were no such distributions in 2014. Any future determination to pay dividends will be at the discretion of our Board and will depend on our financial condition, results of operations, capital requirements and other factors that our Board deems relevant. In addition, the terms of any future debt or credit facility may preclude us from paying dividends. At this time, we do not anticipate paying any future dividends. The Company's Board however, may consider paying dividends in the future once it has evaluated potential strategic options for the business.

***Issuer Purchases of Equity Securities***

None.

***Item 6. Selected Financial Data***

We are a smaller reporting company, and therefore, we are not required to provide information required by this item.

## **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

*The following discussion and analysis of our results of operations and financial condition should be read in conjunction with our financial statements and related notes appearing elsewhere in this report. This discussion and analysis contains forward looking statements that involve risks, uncertainties and assumptions. The actual results may differ materially from those anticipated in these forwarding looking statements as a result of certain factors, including but not limited to, those which are not within our control.*

### **Overview**

We were incorporated under the laws of the State of Delaware on January 7, 2008. Since inception, our primary business purpose has been to stockpile indium, a specialty metal that is being increasingly used as a raw material in a wide variety of consumer electronics manufacturing applications. We also lent, leased and sold indium when management believed it was advantageous. In December 2013, our Board authorized management to sell our entire stockpile of indium in 2014 based on prevailing market conditions. As of December 31, 2014, we sold all of the indium from our stockpile. As a result we are no longer in the business of purchasing and selling indium. We have begun evaluating strategic options including the acquisition of a new line of business or the sale or full liquidation of the Company. In connection therewith, we have engaged one of our directors to assist in identifying, evaluating and negotiating strategic transactions and have agreed to pay that director \$50 thousand in 2016 for those services. However, there can be no assurance that we will enter into any such transaction, and if so, on terms favorable to us.

In December 2014, we repurchased 6,678,358 shares of our common stock (representing 78% of our outstanding shares of common stock) in a tender offer (the "Tender Offer") for an aggregate purchase price of approximately \$16.1 million or \$2.41 per share. Shares not purchased in the Tender Offer because of proration or conditional tenders were returned to the tendering stockholders. Shares having an aggregate purchase price of more than approximately \$16.1 million were properly tendered and not properly withdrawn. There were 1,883,639 shares of our common stock outstanding both after the Tender Offer and, at December 31, 2014. During the third quarter of 2015, our Board approved a program to repurchase up to \$650 thousand of our common stock. In connection therewith, we repurchased 139,070 shares of our common stock in September 2015 for approximately \$0.2 million, or \$1.40 per share. At December 31, 2015, 1,744,569 shares of our common stock were outstanding.

In December 2015, our Board approved a cash distribution to stockholders in the amount of \$1.75 per common share (or approximately \$3.05 million). The distribution was a return of capital for tax purposes. The aggregate cash distribution was recorded against additional paid-in capital for accounting purposes.



Our expenses will be required to be satisfied by cash on hand at December 31, 2015 of approximately \$1.0 million. Cash on hand is expected to be sufficient to satisfy our estimated expenses of approximately \$0.4 million in 2016. We may seek to raise additional capital to cover our corporate strategies through potentially dilutive equity offerings or debt financing.

### ***Critical Accounting Policies and Estimates***

The preparation for financial statements and related disclosures in conformity with United States generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. For a description of our significant accounting policies, see Notes to Financial Statements – Note 2 *Summary of Significant Accounting Policies*. Of these policies, the following are considered critical to an understanding of the Company's Financial Statements as they require the application of the most difficult, subjective and complex judgments: (1) Use of Estimates, (2) Common Stock Purchase Contracts, (3) Share-Based Payment Arrangements, (4) Income Taxes and (5) Accounting for Direct Sales, Lease and Lending Transactions. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from these estimates under different assumptions or conditions.

### **Recently Issued Accounting Pronouncements**

The FASB recently issued ASU "*Presentation of Financial Statements (Topic 205) Liquidation Basis of Accounting*" (ASU 2013-07) that requires an entity to prepare its financial statements using the liquidation basis of accounting when liquidation is imminent, as defined in ASU 2013-07. ASU 2013-07's objective is to eliminate diverse practices by providing guidance about when and how to apply the model. The guidance applies to all entities except for investment companies regulated under the Investment Company Act of 1940. Since there is no imminent plan to liquidate the Company, this ASU does not apply.

On May 28, 2014, the FASB issued ASU No. 2014-09, “*Revenue from Contracts with Customers*”, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. In August 2015, the FASB amended the effective date of this ASU to fiscal years beginning after December 15, 2017, and early adoption is only permitted for fiscal years beginning after December 15, 2016. The standard permits the use of either the retrospective or cumulative effect transition method. We are evaluating our strategic options and, since December 31, 2014, we have no revenue stream. We will evaluate the effect that ASU 2014-09 has on our financial statements and related disclosures and the transition method when and if we will have future revenues.

## Results of Operations

### *Year 2015 compared to Year 2014*

The results of operations for the years ended December 31, 2015 and 2014 are as follows:

	For the Year Ended December 31,	
	2015	2014
Net sales	\$ -	\$ 21,083,763
Cost of sales	-	15,261,816
Gross profit	-	5,821,947
Operating costs:		
Operating expenses - related party fees	90,000	651,565
Other selling, general and administrative expenses	378,336	400,030
Total operating costs	468,336	1,051,595
Operating (loss) income	(468,336 )	4,770,352
Other income:		
Interest income	7,434	18,165
Other income	-	60,017
Net (loss) income before income taxes	(460,902 )	4,848,534
Income tax expense	-	(90,000 )
Net (loss) income	\$ (460,902 )	\$ 4,758,534
Net (Loss) Income Per Share		
Basic	\$ (0.25 )	\$ 0.59
Diluted	\$ (0.25	