ADVANCED ENVIRONMENTAL RECYCLING TECHNOLOGIES INC
Form DEFR14A
July 11, 2005

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No. 1)

Filed by the Registrant x
Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
x Definitive Proxy Statement (Amended; Superseding July 8, 2005 filing)
o Definitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12

Advanced Environmental Recycling Technologies, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.
o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

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o Fee paid previously with preliminary materials.

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o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

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2) Form, Schedule or Registration Statement No.:

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3) Filing Party:

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4) Date Filed:

SEC 1913 (02-02)	**Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**

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ADVANCED ENVIRONMENTAL
RECYCLING TECHNOLOGIES, INC.
914 N Jefferson Street (72764)
Post Office Box 1237
Springdale, Arkansas 72765
(479) 756-7400

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held Thursday, July 28, 2005

To our Stockholders:

The annual meeting of stockholders of Advanced Environmental Recycling Technologies, Inc. will be held at the Northwest Arkansas Holiday Inn Convention Center, Springdale, Arkansas at 7:00 p.m., local time, Thursday, July 28, 2005, to consider and act upon the following matters, all as more fully described in the accompanying proxy statement which is incorporated herein by this reference:

1. To elect eleven members to the eleven-person board of directors to serve until the next annual meeting of stockholders and until their respective successors shall be elected and qualify.

2. To approve the 2005 Key Associate and Management Equity Incentive Plan.

3. To approve the 2005 Non-Employee Director Equity Incentive Plan.

4. To ratify the appointment of Tullius Taylor Sartain & Sartain LLP as independent public accountants of the company for the year ending December 31, 2005; and

5. To transact such other business and to consider and take action upon any and all matters that may properly come before the annual meeting or any adjournment thereof.

The board of directors has fixed the close of business on June 1, 2005, as the record date for the determination of the stockholders entitled to notice of and to vote at the annual meeting and any adjournment thereof.

Sincerely,

Marjorie S. Brooks
Secretary

July 11, 2005

A proxy card and annual report of the company for the year ended December 31, 2004, are enclosed. It is important that your shares be represented whether or not you attend the meeting. Registered stockholders can vote their shares via the Internet or by using a toll-free telephone number. Instructions for using these convenient services appear on the proxy card. You can also vote your shares by marking your votes on the proxy card, signing and dating it and mailing it promptly using the envelope provided. Proxy votes are tabulated by an independent agent and reported at the annual meeting. The tabulating agent maintains the confidentiality of the proxies throughout the voting process. We hope that you can attend this meeting in person, but if you cannot do so please vote your proxy now.

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ADVANCED ENVIRONMENTAL
RECYCLING TECHNOLOGIES, INC.
914 N Jefferson Street (72764)
Post Office Box 1237
Springdale, Arkansas 72765
(479) 756-7400
Annual Meeting of Stockholders
July 28, 2005

PROXY STATEMENT

SOLICITATION AND REVOCABILITY OF PROXIES

The enclosed proxy is solicited on behalf of the board of directors of Advanced Environmental Recycling Technologies, Inc., a Delaware corporation (the Company), for use at the annual meeting of stockholders to be held at the Northwest Arkansas Holiday Inn Convention Center, Springdale, Arkansas, at 7:00 p.m. local time, Thursday, July 28, 2005, and at any adjournments thereof. The notice of meeting, proxy statement, and form of proxy are being mailed to stockholders on or about July 11, 2005.

A proxy may be revoked by delivering a written notice of revocation to the principal office of the Company or in person at the meeting at any time prior to the voting thereof.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

At June 1, 2005, the record date, there were 33,767,832 shares of Class A common stock, 1,465,530 shares of Class B common stock and 900 shares of Series B preferred stock issued and outstanding. There were also 1,860 shares of Series A and C preferred stock issued and outstanding, but these shares are non-voting except in those instances where Delaware law expressly requires otherwise and have no voting rights with respect to the matters intended to be submitted to a vote of the stockholders at this upcoming meeting. Each outstanding share of Class A common stock entitles the holder thereof to one vote on matters submitted to the stockholders and each share of Class B common stock entitles the holder thereof to five votes on matters submitted to the stockholders. The Series B preferred stock is entitled to vote on all matters submitted to a vote of stockholders and has voting rights of 2,500 votes per share of Series B preferred stock. As of June 1, 2005, the holders of the Class B common stock are entitled to an aggregate of 7,327,650 votes and the holders of the Series B preferred stock are entitled to an aggregate of 2,250,000 votes. The holders of record of the Class A common stock, Class B common stock, and Series B preferred stock outstanding on June 1, 2005, will vote together as a single class on all matters submitted to stockholders and such other matters as may properly come before the annual meeting and any adjournments.

The enclosed form of proxy provides a method for stockholders to withhold authority to vote for any one or more nominees (See Election of Directors for the method of withholding authority to vote for directors). By withholding authority, shares will not be voted either for or against a particular matter but will be counted for quorum purposes. Abstentions and brokers non-votes , if any, are counted for purposes of determining a quorum but will have no effect on the election of directors or other matters intended to be submitted to a vote of the stockholders.

As of the record date, the Company s executive officers and directors beneficially own approximately 38.2% of the currently outstanding shares of Class A common stock, 93.9% of the shares of Class B common stock, approximately 29.0% of the currently outstanding shares of Series B voting preferred stock, and collectively beneficially owned shares representing approximately 47.8% of the votes entitled to be cast upon matters submitted at the annual meeting. As of the record date, Marjorie S. Brooks and corporations controlled by her beneficially owned shares representing approximately 32.7% of the votes entitled to be cast and may be in a position to control the Company.

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The following table sets forth, as of June 1, 2005, certain information with regard to the beneficial ownership of the Company s capital stock by each holder of 5% or more of the outstanding stock, by each named executive officer and director of the Company, and by all officers and directors as a group:

Name and Address of Beneficial Owner	Title of Class(1)	Number of Shares of Common Stock(2)	Percentage of Class Outstanding(2)(17)	Percentage of Total Voting Power(2)(18)
Marjorie S. Brooks	Class A	11,407,908(3)	27.8%	32.7%
	Class B	837,588(4)	57.2%	
	Preferred- Series A	425(5)	15.4%	
	Series B	400(5)	14.5%	
Joe G. Brooks	Class A	938,397(6)	2.8%	5.4%
	Class B	284,396	19.4%	
J. Douglas Brooks	Class A	935,573(7)	2.7%	3.6%
	Class B	131,051	8.9%	
Jerry B. Burkett	Class A	290,000(8)	*	1.0%
	Class B	33,311	2.3%	
Sal Miwa	Class A	506,963(9)	1.5%	1.2%
Stephen W. Brooks	Class A	821,112(10)	2.4%	2.9%
	Class B	89,311	6.1%	
Jim Robason	Class A	112,948(11)	*	*
	Preferred- Series A	80	2.9%	
Melinda Davis	Class A	149,132(12)	*	*
	Preferred- Series A	80	2.9%	
Michael M. Tull	Class A	640,780(13)	1.9%	3.7%
	Preferred- Series B	400	13.8%	
Samuel L. Tony Milbank	Class A	552,317(14)	1.6%	1.3%
	Preferred- Series A	15	*	
Tim W. Kizer	Class A			
Edward P. Carda	Class A			
Jim Precht	Class A	407,700(15)	1.2%	*
Edward J. Lysen	Class A	302,000(16)	*	*
Officers and directors as a group (thirteen persons):	Class A	17,074,830	38.2%	47.8%
	Class B	1,375,657	93.9%	
P. O. Box 1237 Springdale, AR 72765	Preferred- Series A	600	21.7%	
	Series B	800	29.0%	

* Less than 1%

(1) The Class B common stock is substantially identical to the Class A common stock, except that each share of Class B common stock has five votes per share and each share of Class A common stock has one vote per share. Each share of Class B common stock is convertible into one share of Class A common stock. Each share of Preferred Stock is convertible at the lower of $1.20 and the ten-trading day average of the Company s Class A common stock, and would be convertible into 833 shares of Class A common stock, based upon the trading price prevailing at June 1, 2005. The Series B Preferred Stock (900 shares) has voting rights of 2,500 votes per share. No other Preferred Stock carries any voting rights.

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(2) Beneficial ownership of shares was determined in accordance with Rule 13d-3(d)(1) of the Exchange Act and included shares underlying outstanding warrants and options which the named individual had the right to acquire within sixty days (July 31, 2005) of June 1, 2005.

(3) Includes 3,307,980 shares owned directly, 759,723 in trusts or corporations controlled by Mrs. Brooks, 450,000 shares issuable upon exercise of stock options, 3,000 shares issuable upon exercise of bonus warrants, 325,000 shares issuable upon exercise of Class C Warrants, 3,974,080 shares issuable upon exercise of Class F and Class G Warrants issued in connection with a private placement of Class A common stock in May of 1994, 1,771,792 shares issuable upon exercise of Class H Warrants, 323,000 shares issuable upon exercise of Series X and Y warrants owned directly and 493,333 shares issuable upon exercise of Series X and Series Y Warrants owned indirectly through two corporations controlled by Mrs. Brooks (Razorback Farms, Inc. and Brooks Investment Company).

(4) Includes 403,946 shares owned directly by Mrs. Brooks and 433,642 shares owned by two corporations controlled by Mrs. Brooks. (Razorback Farms, Inc. is the record owner of 312,320 shares and Southern Mineral and Fibers, Inc. is the record owner of 121,322 shares, representing approximately 21.3% and 8.3%, respectively, of the Class B common stock). Excludes additional shares owned by adult children of Mrs. Brooks, including Joe G. Brooks, Stephen W. Brooks and J. Douglas Brooks, as to which she disclaims a beneficial interest.

(5) Includes 425 shares of Series A preferred stock owned directly and 400 shares of Series B Preferred Stock owned indirectly by Mrs. Brooks. Razorback Farms, Inc. is the record owner of 165 shares. Brooks Investment Company is the record owner of 235 shares.

(6) Includes 607,400 shares owned directly, 4,500 shares owned as custodian for Joe G. Brooks minor child, 38,205 shares owned as custodian for Brooks Children s Trust, 1,500 shares issuable upon exercise of bonus warrants owned as custodian for Mr. Brook s minor child, 38,250 shares issuable upon exercise of Bonus Warrants owned as custodian for Brook s Children s Trust, 1,875 shares issuable upon exercise of Bonus Warrants owned directly and 246,667 shares issuable upon exercise of stock options.

(7) Includes 443,212 shares owned directly, 84,741 shares owned indirectly, 7,620 shares issuable upon exercise of bonus warrants and 400,000 shares issuable upon exercise of stock options.

(8) Includes 63,000 shares owned directly, 2,000 shares owned by Mr. Burkett as custodian for his minor child, 10,000 shares owned by a partnership controlled by Mr. Burkett and 215,000 shares issuable upon exercise of stock options.

(9) Includes 28,000 shares owned directly and 478,963 shares issuable upon exercise of stock options.

(10) Includes 296,112 shares owned directly and 525,000 shares issuable upon exercise of stock options.

(11) Includes 27,148 shares owned directly, 60,800 shares issuable upon exercise of Series X and Series Y warrants, and 25,000 shares issuable upon exercise of stock options.

(12) Represents 13,332 shares owned directly, 75,000 shares issuable upon exercise of stock options, and 60,800 shares issuable upon exercise of Series X and Series Y warrants.

(13) Includes 97,447 shares owned directly, 100,000 shares issuable upon exercise of stock options, and 443,333 shares issuable upon exercise of Series X and Series Y warrants.

(14) Includes 291,130 shares owned directly, 112,697 shares issuable upon exercise of Series X Warrants, 41,604 shares issuable upon exercise of Series Y Warrants, 31,886 shares issuable upon exercise of Class I Warrants, and 75,000 shares issuable upon exercise of stock options.

(15) Includes 7,700 shares owned directly and 400,000 shares issuable upon the exercise of stock options.

(16) Includes 2,000 shares owned directly and 300,000 shares issuable upon the exercise of stock options.

(17) Class A common stock beneficial ownership was calculated by dividing the beneficial ownership of each individual by the sum of: (i) the total shares of Class A common stock outstanding at June 1, 2005, and (ii) the total shares underlying outstanding warrants and options which the named individual had the right to acquire within 60 days (July 31, 2005) of June 1, 2005. Class B common stock beneficial ownership is calculated based on 1,465,530 shares outstanding on June 1, 2005. Preferred stock beneficial ownership is calculated based on 2,760 shares outstanding on June 1, 2005.

(18) Calculated by dividing the voting rights of the beneficial ownership of each individual by the sum of: (i) the total votes available to be cast at June 1, 2005, and (ii) in footnote (17) above.

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At June 1, 2005, there were 33,767,832 shares of Class A common stock and 1,465,530 shares of Class B common stock issued and outstanding. The previous table indicates that those directors, officers and 5% shareholders, as a group, beneficially owned shares representing approximately 47.8% of the votes entitled to be cast upon matters submitted to a vote of the Company s stockholders, and Marjorie S. Brooks and corporations controlled by her beneficially owned shares representing approximately 32.7% of the votes entitled to be cast and may be in a position to control the Company.

DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The directors and executive officers of the Company as of June 1, 2005, are as follows:

Name	Age	Position
Joe G. Brooks	50	Chairman of the board of directors, co-chief executive officer and president
Sal Miwa	48	Vice-chairman of the board of directors
Stephen W. Brooks	48	Co-chief executive officer and director
Marjorie S. Brooks	69	Secretary, treasurer and director
J. Douglas Brooks	45	Senior vice-president raw materials
Alford Drinkwater	53	Senior vice president administration
Edward J. Lysen	67	Senior vice president and chief financial officer
Jim Precht	59	Senior vice-president sales and marketing
Jerry B. Burkett	48	Director
Melinda Davis	62	Director
Samuel L. Tony Milbank	65	Director
Jim Robason	67	Director
Michael M. Tull	51	Director

The Company s board of directors elected **Joe G. Brooks** as its chairman and the Company s co-chief executive officer in December 1998, and he has served as president since February 2000. Mr. Brooks has previously served as president and has been a director since the Company s inception in December 1988. He was also previously chairman and CEO from inception until August 1993. He was a member of Clean Texas 2000, appointed by then Governor George W. Bush in 1995.

In December 1998, the Company s board of directors elected **Sal Miwa** as its vice-chairman. Mr. Miwa also served as chairman of the board between December 1995 and December 1998. He has been an outside director of the Company since January 1994. From July 2004 to present, Mr. Miwa has been CEO and director of Greenstone Inc., a chemical technology company located in New York City primarily serving the building and construction industry. From April 2000 to June 2004, he was COO and director of RealRead Inc., an online document service company. For more than 20 years Mr. Miwa has been engaged in various international businesses and serves on boards of several closely held family businesses around the world. He received his master s degree in Aerospace Engineering from the Massachusetts Institute of Technology.

The Company s board of directors elected **Stephen W. Brooks** as co-chief executive officer in December 1998. Mr. Brooks has served as its chief executive officer and has been a director since January 1996. Mr. Brooks has served as CEO and chairman of the board of Razorback Farms, Inc. from January 1996 to the present. Razorback Farms is a Springdale, Arkansas based firm that specializes in vegetables processing. Mr. Brooks also serves on the board of the Ozark Food Processors Association.

Marjorie S. Brooks has been secretary, treasurer and a director since the Company s inception in December 1988. Mrs. Brooks has served as secretary and treasurer of Brooks Investment Co., a holding company for the Brooks family investments, for more than thirty years.

J. Douglas Brooks has served as executive vice-president, has been in charge of raw material sourcing and strategic relationships since 1998, and has been a senior vice president since September 2003. Mr. Brooks

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was vice-president of plastics from 1995 through 1998, was previously project manager for AERT s polyethylene recycling program with The Dow Chemical Company, and is a joint inventor on several of AERT s process patents for recycling polyethylene film for composites.

Alford Drinkwater has served as senior vice president of administration since February 2005. Previously he served as senior vice president of logistics, laboratories, and plastic operations from September 2003. Beginning May 2000 until September 2003, Mr. Drinkwater was the assistant to the chairman. Prior to joining the Company in May 2000, Mr. Drinkwater had been the Assistant Director for the Established Industries Division of the Arkansas Department of Economic Development and was on the Advocacy Team from November 1988 until January 2000. From September 1986 until July 1988, he owned and operated Town and Country Waste Services, Inc. a waste services company engaging in the development of waste recycling, energy recovery, and disposal systems. From April 1981 until January 1987, Mr. Drinkwater was the Resource Recovery Manager for Metropolitan Trust Company, and was primarily involved in waste-to-energy systems development. From July 1974 until April 1981, Mr. Drinkwater worked for the State of Arkansas as Assistant to the Chief of the Solid Waste Control Division of the Arkansas Department of Pollution Control & Ecology and as the Manager of the Biomass and Resource Recovery Program of the Arkansas Department of Energy.

Edward J. Lysen joined AERT in April 1999 as chief financial officer and has been a senior vice president since September 2003. Mr. Lysen has over 30 years experience in financial management. Prior to entering the private sector, Mr. Lysen was a consultant in the Management Consulting Group, KPMG-Peat Marwick from 1966 to 1979. From 1979 to 1992, Mr. Lysen was senior vice-president, CFO and on the board of Tuesday Morning, Inc., a publicly traded retailer. From 1993 to 1996, he served as chairman of the board and CFO of Distribution Data Management Systems, a computer service provider in the office products industry. In 1996, Mr. Lysen entered the financial planning industry with AAL, a leading fraternal benefits society. From 1998 to 1999, he was the CFO of Hairston Roberson, a leading designer and manufacturer of women s fashion apparel. He has an MBA in Finance from Northwestern University and is a certified public accountant.

Jim Precht has served as executive vice-president of sales and marketing for the Company since February 2001, and senior vice president since September 2003. Mr. Precht was formerly general manager of Weyerhaeuser Building Materials Pittsburgh Customer Service Center with 32-years of industry experience.

Jerry B. Burkett has served on the board of directors of the Company since May 1993. Mr. Burkett has been a rice and grain farmer since 1979 and has been a principal in other closely held businesses. He is the past president of the Arkansas County Farm Bureau. In April 2002, Mr. Burkett was elected to serve as a director of the Ag Heritage Farm Credit Services board.

Melinda Davis has served on the board of directors since July 2001. From December 2000 to the present, Ms. Davis has provided professional consulting services in the areas of financial management and cost accounting for manufacturing operations. Ms. Davis retired as senior vice-president and treasurer from Allen Canning Co. in December 2000, after serving for 39 years in various accounting and financial management positions.

Samuel L. Tony Milbank has served on the board of directors since July 2000. Mr. Milbank is a co-founder and owner of Milbank Roy Zanett and Company, an investment bank focused on M&A, advisory as well as funding of middle market companies founded on February 1, 2005. Prior to that, from April 1997 to February 2005, Mr. Milbank was a managing director of Zanett Securities Corporation, a company also focusing on investment banking services to the middle market. From February 1992 to January 1996, Mr. Milbank was a senior vice-president and sales manager with Lehman Brothers, Inc. in New York, where he managed a team that provided interest rate and currency risk management for central banks and other official institutions. From March 1973 to February 1992, Mr. Milbank worked with Salomon Brothers, Inc. as a director and manager of the international department. Since January 1990, Mr. Milbank has served as chairman of Milbank Memorial Fund, a private operating foundation (established in 1905), concerned with environmental and public health issues. He has a BS from Columbia University and a MBA in Finance from The Amos Tuck School of Business Administration at Dartmouth College.

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Jim Robason has served on the board of directors since July 2003. Mr. Robason joined Allen Canning Co. in 1967. Mr. Robason served as senior vice-president-operations of Allen Canning Co. from 1974 until his retirement in 2002. As senior vice-president of operations with Allen Canning Co., he was responsible for the operation of twelve plants with plant managers and raw product procurement managers, as well as special projects engineering, reporting to him. He has a vast amount of knowledge in all phases of manufacturing including infrastructure, building, equipment, and engineering; with a focus on the full production arena from product procurement through the production process. Mr. Robason is a graduate of West Texas State University. He has served on the executive committee and the Allen Canning profit sharing/retirement plan committee in addition to his operations responsibilities.

Michael M. Tull has served on the board of directors of the Company since December 1998. Mr. Tull has served since 1990 as the president and majority owner of Tull Sales Corporation, a manufacturer s representative company, which professionally represents eight manufacturing companies and is responsible for the sales and marketing of those companies window and door related components in the southeastern United States. Mr. Tull serves on boards of several closely held family businesses and is the chairman and a board of director member of the National Wild Turkey Federation, which is one of the largest North American conservation organizations.

Joe G. Brooks, Stephen W. Brooks, and J. Douglas Brooks are brothers and sons of Marjorie S. Brooks. There are no other familial relationships between the current directors and executive officers.

Each of the Company s directors has been elected to serve until the next annual meeting of stockholders or until their successors are elected and qualified. Officers serve at the discretion of the Board of Directors.

CORPORATE GOVERNANCE

Independence of Directors

The board of directors has determined that Sal Miwa, Jerry B. Burkett, Samuel L. Tony Milbank and Melinda Davis are independent under the NASDAQ Stock Market s (NASDAQ) corporate governance listing standards, and that Marjorie S. Brooks, secretary and treasurer, Joe G. Brooks, chairman, Co-CEO and president, Stephen W. Brooks, Co-CEO, Michael M. Tull and Jim Robason are not independent under such listing standards. However, Tim W. Kizer and Edward P. Carda, who have been nominated for election to the board of directors, are also independent and will satisfy the NASDAQ corporate governance listing standards to have a majority of independent directors. Mr. Robason served as an independent director throughout fiscal 2004, but because the Company has determined to make use of Mr. Robason s expertise in manufacturing and plant operations in the capacity of a consultant supervising the Company s plant operations on an interim basis, Mr. Robason no longer qualifies as an independent director.

During fiscal 2004, the Company held six executive sessions of the board of directors in which only independent members of the board are present. The chairpersons of the audit committee, compensation committee and nominating and corporate governance committee each presided over the meetings on a rotating basis.

The Company encourages, but does not require, directors to attend annual meetings of stockholders. All members of the board attended the Company s 2004 stockholder meeting.

Board Meeting and Certain Committees Reports and Meetings

During the Company s fiscal year ended December 31, 2004, the board of directors held ten meetings. All directors attended 75% or more of the total number of meetings of the board of directors and its committees on which he or she served.

During 2004 and through June 1, 2005, the audit committee of the board of directors consists of three independent directors under NASDAQ s director and audit committee independence standards: Jerry B. Burkett, Melinda Davis (chairperson), and Sal Miwa. The audit committee is directly responsible for the

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engagement of the Company s independent accountants and is responsible for approving the services performed by the Company s independent accountants and for reviewing and evaluating the Company s accounting principles and its system of internal accounting controls. The audit committee met six times in 2004. Melinda Davis serves as the financial expert of the audit committee.

During 2004 and through June 1, 2005, the compensation committee consisted of Samuel L. Tony Milbank (chairperson), Sal Miwa, and Jim Robason. In a board meeting on June 21, 2005, the compensation committee was revised to consist of Samuel L. Tony Milbank (chairperson) and Sal Miwa, two independent directors. The compensation committee establishes and administers the Company s compensation plans on behalf of the board of directors and makes recommendations to the board of directors as to stock options, restricted stock awards or other awards granted thereunder and other compensation matters. The compensation committee met one time in 2004.

During 2004 and through June 1, 2005, the nominating and corporate governance committee consisted of Jerry B. Burkett (chairperson), Linda Davis, and Jim Robason. The nominating and corporate governance committee evaluates the efforts of AERT and its board of directors to maintain effective corporate governance practices and identifies candidates for election to the board of directors. The nominating and corporate governance committee met one time in 2004. In a board meeting on June 21, 2005, the nominating and corporate governance committee was revised to consist of Jerry B. Burkett (chairperson) and Melinda Davis, two independent directors.

The nominating and corporate governance committee believes that candidates for director should have certain minimum qualifications, including being able to read and understand basic financial statements and having the highest personal integrity and ethics. The committee also considers such factors as relevant expertise and experience, ability to devote sufficient time to the affairs of the Company, demonstrated excellence in his or her field, the ability to exercise sound business judgment and the commitment to rigorously represent the long-term interests of the Company s stockholders. Candidates for director will be reviewed in the context of the current composition of the board, the operating requirements of the Company and the long-term interests of stockholders.

The nominating and corporate governance committee does not have a formal process for identifying and evaluating nominees for directors. Instead, it uses its network of contacts to identify potential candidates. The committee will conduct any appropriate and necessary inquiries into the backgrounds and qualifications of possible candidates after considering the function and needs of the board. The committee will meet to discuss and consider such candidates qualifications and then select a nominee for recommendation to the board by majority vote.

Although the nominating and corporate governance committee has not established procedures for considering nominees recommended by stockholders, the committee will consider director candidates recommended by stockholders, and those candidates will receive substantially the same consideration that candidates recommended by the nominating and corporate governance committee receive. Stockholders wishing to recommend director candidates for consideration by the committee may do so in writing to the corporate secretary at least 180 days in advance of the annual meeting, giving the recommended nominee s name, biographical data, and qualifications, accompanied by the written consent of the recommended nominee.

The charters of the audit, compensation, and nominating and corporate governance committees are available on the corporate website at *www.aertinc.com*. The Company has implemented a corporate Hotline through which the audit committee, the board of directors, and the corporate compliance officer may be contacted, as appropriate. This service and number is available on our corporate website.

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AUDIT COMMITTEE REPORT

The following report of the audit committee for fiscal year 2004 does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Company filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates this report by reference therein.

The audit committee of the Company is composed of three non-employee directors, and each member of the committee is independent in accordance with the policy of the National Association of Security Dealers applicable to NASDAQ listed companies. The committee operates under a written charter adopted by the board of directors.

Management is responsible for the Company s internal controls and the financial reporting process. The independent auditors are responsible for performing an independent audit of the Company s financial statements in accordance with generally accepted auditing standards and to issue a report thereon. The committee s responsibility is to engage independent public accountants for the Company and to monitor and oversee the Company s financial reporting process and report its findings to the board of directors.

The committee fulfills its responsibilities through periodic meetings with management and independent auditors. The committee reviewed and discussed with management and independent auditors the audited financial statements in the Company s annual report on Form 10-K for the year ended December 31, 2004. The committee also discussed with the independent auditors matters required to be discussed by Statement on Auditing Standards No. 61. In addition, the committee has received and reviewed the written disclosures and the letter from the independent auditors required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, and has discussed with the auditors the auditor s independence.

On the basis of these reviews and discussions, the audit committee recommended to the board of directors that the board approve the inclusion of the Company s audited financial statements in the Company s Annual Report on Form 10-K for the year ended December 31, 2004, for filing with the Securities and Exchange Commission (SEC).

The audit committee has also considered whether the provision of non-audit services by the independent registered public accounting firm, Tullius Taylor Sartain & Sartain LLP (TTS&S), is compatible with maintaining auditor independence. No non-audit related services were provided by TTS&S during fiscal year 2004.

Submitted by the audit committee,

Jerry B. Burkett	Melinda Davis, Chairperson	Sal Miwa

COMPENSATION COMMITTEE REPORT

The following report of the compensation committee for fiscal year 2004 does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Company filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates this report by reference therein.

The compensation committee of the board of directors is responsible for administering incentive plans and reviewing and making recommendations to the board of directors with respect to the compensation of AERT executive officers and key executives.

The following is the compensation committee s report to shareholders on the Company s executive compensation policies with respect to compensation reported for the fiscal year ended December 31, 2004.

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Compensation Committee Report on Executive Compensation

Key compensation-related responsibilities of the Compensation Committee of the Board of Directors:

To establish and periodically review AERT s compensation philosophy and the adequacy of compensation plans and programs for directors, executive officers and other AERT employees and make recommendations to the board of directors with respect thereto;

To establish compensation arrangements and incentive goals for executive officers and to administer compensation plans and make recommendations to the board of directors with respect thereto;

To review the performance of the executive officers and award incentive compensation and adjust compensation arrangements as appropriate based upon performance;

To review and monitor management development and succession plans and activities; and

To prepare the report on executive compensation for inclusion in AERT s annual proxy statement in accordance with Securities Exchange Commission rules and regulations.

For the fiscal year ended December 31, 2004, the Committee s activity focused on the key elements of the total direct compensation program for executive officers, which included base pay, quarterly incentive awards, discretionary incentive awards, and long-term incentives. Elements reviewed as part of the quarterly incentive and discretionary plans were minimum threshold, target objectives, the payout formula, and the performance measurements of operating income and net income. Elements reviewed as part of the long-term incentives to executive officers included type and level of award distribution.

The Company s executive compensation program is designed to:

Attract, motivate and retain executive officers who can make significant contributions to the Company s long-term success;

Align the interests of executive officers with those of shareholders; and

Place a significant portion of an executive officer s total compensation at risk by tying it to the Company s financial performance.

The primary components of the Company s executive compensation programs are: base salary, quarterly incentive awards, discretionary awards, and long-term incentive awards:

Base Salary

Base salaries are generally targeted at the middle of the competitive marketplace (the median).

The market rate for an executive position is determined through an assessment by the Company s human resources personnel under the guidance and supervision of the compensation committee. This assessment considers relevant industry salary practices, the position s complexity, and level of responsibility, its importance to the Company in relation to other executive positions, and the competitiveness of an executive s total compensation.

Subject to the Committee s approval, the level of an executive officer s base pay is determined on the basis of:

Relevant comparative compensation data; and

The Chief Executive Officer s assessment of the executive s performance, experience, demonstrated leadership, job knowledge and management skills.

Quarterly Incentive Awards

These cash awards are intended to provide a linkage among executive performance, quarterly performance measures, and long-term shareholder value.

Quarterly incentive awards are earned as the Company meets specific objectives for cash flow and net income. The quarterly incentive awards are designed to reward executive performance with cash incentive awards that are comparable to those found in the marketplace in which the Company competes for executive talent. The Company may defer payment of quarterly incentive awards in accordance with cash flow requirements. The compensation committee reviews the structure and specific objectives of the program from time to time and makes adjustments as it deems appropriate.

Discretionary Awards

The compensation committee may, at its discretion, authorize periodic cash awards to executives. Discretionary awards are designed to give the compensation committee the flexibility to provide incentives that are comparable to those found in the marketplace in which the Company competes for executive talent. In determining the extent and nature of discretionary awards, the compensation committee considers the Company s cash flow, net income, progress toward short and long term business objectives, and competitive compensation programs.

When considering discretionary awards, the compensation committee identifies the employees who are eligible to participate and computes and certifies the size of the discretionary pool based on financial information supplied by the Company s officers. The award made to each eligible participant is based on the opportunity level assigned to the participant and an assessment of his or her performance and the performance of their business unit versus corporate objectives.

Long-term incentive awards

Long term executive incentives are designed to promote the interests of AERT and its shareholders by attracting and retaining eligible directors, executives and other key employees.

The compensation committee has the authority to determine the participants to whom awards shall be granted. The awards under prior Company plans could be made in the form of stock options, restricted stock units, performance awards and other stock-based awards. Consistent with the views of the board of directors and compensation committee that the interests of employees and directors are more likely to be aligned with stockholders to the extent that such employees and directors are stockholders of the Company, the Company has determined for the foreseeable future to provide incentive equity compensation in the form of restricted stock awards rather than options or other forms of equity compensation. The 2005 Key Associate and Management Equity Inventive Plan and the 2005 Non-Employee Director Equity Incentive Plan submitted for stockholder approval herewith are reflective of this shift in compensation policy.

2004 Awards

Directors

Each non-employee director was granted 25,000 common stock options.

Chief Executive Officer compensation

In determining CEO compensation, the Committee considered:

- The Company s financial performance and peer group compensation data; and

- CEO leadership, decision-making skills, experience, knowledge, communication with the Board and strategic recommendations, as well as the Company s positioning for future performance.

The Committee considered many factors and did not place any particular relative weight on one over another, but the Company s financial performance is generally given the most weight.

The Committee s recommendations regarding CEO compensation and other related matters are reported to the Board and, in the case of each specific recommendation during 2004, were approved by the Board.

For fiscal year ended December 31, 2004, the Committee s decisions regarding CEO compensation included the following:

Co-CEO Joe Brooks was awarded a cash bonus of $30,000 under the quarterly incentive plan.

During 2004, Co-CEO Joe G. Brooks undertook primary responsibility for day-to-day operations at the Company. Co-CEO Steve Brooks served in a strategic advisory role. In light of the relative roles of the Co-CEO s, the compensation committee did not award incentives to Co-CEO Steve Brooks.

Before arriving at its final decision regarding the amount of CEO annual incentive award, the Committee confirmed that the Company s compensation program is consistent with marketplace practices linking pay for performance.

Deductibility of Compensation:

Under Section 162(m) of the Internal Revenue Code, AERT may not deduct compensation in excess of $1,000,000 paid to AERT s Chief Executive Officer or to each of the named executive officers unless the compensation meets specific criteria for performance-based compensation. Awards under the short-term incentive compensation plan do not meet the criteria of being performance-based awards under Section 162(m) of the Internal Revenue Code of 1986, as amended, and, therefore, would not qualify as a deduction to the extent in excess of Section 162(m) limits. Certain awards under the long-term incentive plan, such as stock options or restricted stock awards, could satisfy the criteria of being performance based under Section 162(m) to qualify as deductible under the Internal Revenue Code of 1986, as amended. The Company s historical levels of compensation have not presented issues of deductibility under Section 162(m) of the Internal Revenue Code of 1986. The compensation committee reserves the right to approve non-deductible compensation if the Committee believes it is in the best interests of the shareholders.

2005 Key Associate and Management Equity Incentive Plan

The compensation committee has reviewed and approved a compensation plan for the Company s management and associates that is designed to reward focus on increasing throughputs, reducing costs, and increasing efficiencies. The Key Associate and Management Equity Incentive plan, which is administered by the committee, gives the Company flexibility to provide incentives that are comparable to those found in the marketplace in which the Company competes for management and associate talent. In determining the extent and nature of awards, the compensation committee considers the Company s cash flow, net income, progress toward short and long term business objectives, and competitive compensation programs.

Conclusion Regarding Executive Compensation:

Based upon its review of the Company s executive compensation program, the Committee has concluded that the program s basic structure is appropriate, competitive, and effective to serve the purposes for which it was established.

MEMBERS OF THE COMMITTEE:

Samuel L. Tony Milbank, Chairperson

Sal Miwa

Jim Robason

Employment Agreements

The Company has no written employment agreements with its key executives.

DIRECTOR COMPENSATION

Directors who are also employees of the Company are not entitled to any additional compensation by virtue of service as a director, except for reimbursement of any specific expenses attributable to such service. Non-employee directors have through fiscal 2004 been entitled to receive cash compensation for serving on

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the Company s board of directors, as follows: board meeting fee - $1,000 per diem, $500 for1/2 day, committee meeting fee - $500 and teleconference fee -$250.

On an ongoing basis for fiscal 2005 and thereafter (subject to any subsequent modifications), the board of directors has adopted a compensation plan for all directors who are not salaried employees of the Company under which each such non-employee director will receive annual compensation for board service of $15,000 in cash plus annual restricted stock awards of shares with $30,000 market value measured on an average closing sale price basis over a 50-business day period preceding the award. Such restricted stock awards will vest over a three-year period, with 20% of a particular award vesting on the first anniversary thereof, an additional 30% of such award (50% cumulatively) vesting on the second anniversary of the award, and the 50% balance of the award vesting on the third anniversary of the award. In addition, non-employee board committee members will receive annual cash compensation as follows: audit committee: $8,000 (chairperson) and $3,000 (other members); compensation committee: $5,000 (chairperson) and $3,000 (other members); and nominating committee: $4,000 (chairperson) and $2,000 (other members). Directors also are reimbursed for out-of-pocket expenses in connection with their attendance at meetings.

EXECUTIVE OFFICER COMPENSATION

The following table sets forth the aggregate compensation paid by the Company during the three years ended December 31, 2004, to the co-chief executive officers and to each of the next four most highly compensated executive officers of the Company whose aggregate annual salary and bonus in 2004 exceeded $100,000.

Summary Compensation Table

				Annual Compensation		
(a)		**(b)**		**(c)**	**(d)**	**(e) Other Annual**
Name and Principal Position		**Year**		**Salary($)**	**Bonus($)**	**Compensation($)(1)**
Stephen W. Brooks	7					

Section 16 (a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors, executive officers and persons who beneficially own more than 10% of our common stock to file reports of their ownership of shares with the Securities and Exchange Commission. Such executive officers, directors and stockholders are required by SEC regulation to furnish us with copies of all Section 16(a) reports they file. Based solely upon review of the copies of such reports received by us, our senior management believes that all reports required to be filed under Section 16(a) for the fiscal year ended March 31, 2010 were filed in a timely manner except for the following transactions. One of our directors, Ranga Krishna, failed to report the grant of 39,410 shares of our common stock made to him in May 2009 and the grant of options to purchase 350,000 shares of our common stock made to him in May, 2009 on a Form 4.

GOVERNANCE OF THE COMPANY

Board of Directors and Committees

Board of Directors; Independence

Our board of directors is divided into three classes (Class A, Class B and Class C) with only one class of directors being elected in each year and each class serving a three-year term. The term of office of the Class A directors, consisting of Mr. Nathani and Mr. Shenoy, will expire at our 2011 annual meeting of stockholders. The term of office of the Class B directors, currently consisting of Mr. Prins and Dr. Krishna, will expire at the 2012 annual meeting of stockholders. The term of office of the Class C director, currently consisting of Mr. Mukunda, will expire at the 2013 annual meeting of stockholders. These individuals have played a key role in identifying and evaluating prospective acquisition candidates, selecting the target businesses, and structuring, negotiating and consummating the acquisition. The NYSE Amex, where we are listed, has rules mandating that the majority of the board be independent. Our board of directors will consult with counsel to ensure that the boards of directors' determinations are consistent with those rules and all relevant securities laws and regulations regarding the independence of directors. The NYSE Amex listing standards define an "independent director" generally as a person, other than an officer of a company, who does not have a relationship with the company that would interfere with the director's exercise of independent judgment. Consistent with these standards, the board of directors has determined that Messrs. Krishna, Shenoy and Nathani are independent directors.

Code of Conduct and Ethics

A code of business conduct and ethics is a written standard designed to deter wrongdoing and to promote (a) honest and ethical conduct, (b) full, fair, accurate, timely and understandable disclosure in regulatory filings and public statements, (c) compliance with applicable laws, rules and regulations, (d) the prompt reporting violation of the code and (e) accountability for adherence to the code. The Company has adopted a written code of ethics (the "Senior Financial Officer Code of Ethics") that applies to the Company's Chief Executive Officer and senior financial officers, including the Company's Chief Financial Officer, Controller and persons performing similar functions (collectively, the "Senior Financial Officers").in accordance with applicable federal securities laws and the rules of the NYSE Amex. Investors may view our Senior Financial Officer Code of Ethics on the corporate governance subsection of the investor relations portion of our website at www.indiaglobalcap.com.

The Company has established separate audit and compensation committees that are described below. The Company does not have a separate nominating committee.

Audit Committee

Our Board of Directors has established an Audit Committee currently composed of two independent directors who report to the Board of Directors. Messrs. Krishna and Shenoy, each of whom is an independent director under the NYSE Amex listing standards, serve as members of our Audit Committee. In addition, we have determined that Messrs. Krishna and Shenoy are "audit committee financial experts" as that term is defined under Item 407 of Regulation S-B of the Securities Exchange Act of 1934, as amended. The Audit Committee is responsible for meeting with our independent accountants regarding, among other issues, audits and adequacy of our accounting and control systems. We intend to locate and appoint at least one additional independent director to our Audit Committee to increase the size of the Audit Committee to three members.

The Audit Committee will monitor our compliance on a quarterly basis with the terms of our initial public offering. If any noncompliance issues are identified, then the Audit Committee is charged with the responsibility to take immediately all action necessary to rectify such noncompliance or otherwise cause compliance with our initial public offering. The Board currently does not have a nominating and corporate governance committee. However, the majority of the independent directors of the Board make all nominations.

Audit Committee Financial Expert

The Audit Committee will at all times be composed exclusively of "independent directors" who are "financially literate" as defined under the NYSE Amex listing standards. The NYSE Amex listing standards define "financially literate" as being able to read and understand fundamental financial statements, including a company's balance sheet, income statement and cash flow statement.

In addition, we must certify to the NYSE Amex that the Audit Committee has, and will continue to have, at least one member who has past employment experience in finance or accounting, requisite professional certification in accounting, or other comparable experience or background that results in the individual's financial sophistication. The Board of Directors has determined that Messrs. Krishna and Shenoy satisfy the NYSE Amex's definition of financial sophistication and qualify as "audit committee financial experts," as defined under rules and regulations of the Securities and Exchange Commission.

Compensation Committee

Our Board of Directors has established a Compensation Committee composed of two independent directors, Messrs. Krishna and Shenoy and one non-independent director Richard Prins. The Board determined that Richard Prins is not a current officer or employee or an immediate family member of such person. The Board deemed Mr. Prins to be non-independent because his firm Ferris Baker Watts received compensation for the initial public offering of the Company's securities and subsequent and bridge financing. The Board, however, determined that the best interests of the Company and its shareholders require his membership on the compensation committee, as Mr. Prins brings a great deal of prior experience with memberships on public compensation committees. The

Board used the exception provided under Section 805 (b) of the NYSE Amex Company Guide in appointing Richard Prins to the Compensation Committee. The compensation committee's purpose is to review and approve compensation paid to our officers and directors and to administer the Company's Stock Plan.

Nominating and Corporate Governance Committee

We intend to establish a nominating and corporate governance committee. The primary purpose of the nominating and corporate governance committee will be to identify individuals qualified to become directors, recommend to the board of directors the candidates for election by stockholders or appointment by the board of directors to fill a vacancy, recommend to the board of directors the composition and chairs of board of directors committees, develop and recommend to the board of directors guidelines for effective corporate governance, and lead an annual review of the performance of the board of directors and each of its committees.

We do not have any formal process for stockholders to nominate a director for election to our board of directors. Currently, nominations are selected or recommended by a majority of the independent directors as stated in Section 804 (a) of the NYSE Amex Company Guide. Any stockholder wishing to recommend an individual to be considered by our board of directors as a nominee for election as a director should send a signed letter of recommendation to the following address: India Globalization Capital, Inc. c/o Corporate Secretary, 4336 Montgomery Avenue, Bethesda, MD 20814. Recommendation letters must state the reasons for the recommendation and contain the full name and address of each proposed nominee as well as a brief biographical history setting forth past and present directorships, employments, occupations and civic activities. A written statement should accompany any such recommendation from the proposed nominee consenting to be named as a candidate and, if nominated and elected, consenting to serve as a director. We may also require a candidate to furnish additional information regarding his or her eligibility and qualifications. The board of directors does not intend to evaluate candidates proposed by stockholders differently than it evaluates candidates that are suggested by our board members, execution officers or other sources.

Board and Committee Meetings

During the fiscal year ended March 31, 2010, our board of directors held 5 meetings. Although we do not have any formal policy regarding director attendance at our annual meetings, we attempt to schedule our annual meetings so that all of our directors can attend. During the fiscal year ended March 31, 2010, all of our directors attended 100% of the meetings of the board of directors. During the fiscal year ended March 31, 2010, there were 5 meetings of the audit committee, all of which were attended by all of the members of the committee and 2 meetings of the compensation committee, all of which were attended by all of the members of the committee.

Communications with Directors

Any director may be contacted by writing to him or her c/o the Secretary of the Company at the address set forth above. Communications to the non-management directors as a group may be sent to the Independent Directors c/o the Secretary of the Company at the same address. We promptly forward, without screening other than normal security procedures for all our mail, all correspondence to the indicated director or directors.

Indemnification Agreements

We have entered into indemnification agreements with our officers and directors Under the terms of the indemnification agreements, we agreed to indemnify our officers and directors against expenses, judgments, fines, penalties or other amounts actually and reasonably incurred by the independent director in connection with any proceeding if the officer or director acted in good faith and did not derive an improper personal benefit from the transaction or occurrence that is the basis of the proceeding.

Annual Meeting Attendance

We do not have a formal policy requiring directors to attend shareholder meetings but we encourage members of the Board of Directors to attend the Annual Meeting of Shareholders.

Compensation Committee Interlocks and Insider Participation

A Compensation Committee comprised of two independent members of the Board of Directors, Ranga Krishna and Sudhakar Shenoy, and a non-independent director Richard Prins, administer executive compensation. No executive officer of the Company served as a director or member of the compensation committee of any other entity.

Audit Committee Report

The Audit Committee of the Board is composed of two directors, both of whom meet the current NYSE Amex test for independence. The Committee acts under a written charter adopted by the Board. The Audit Committee has prepared the following report on its activities with respect to the Company's audited financial statements for the fiscal year ended March 31, 2010 (the "Audited Financial Statements").

- The Audit Committee reviewed and discussed the Company's Audited Financial Statements with management;

- The Audit Committee discussed with Yoganandh & Ram ("Y & R"), Chartered Accountants ("Y & R"), the Company's independent auditors for fiscal year 2010, the matters required to be discussed by Statements on Auditing Standards No. 61 (Codification of Statements on Auditing Standards, AU §380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T;

- The Audit Committee received from the independent auditors the written disclosures regarding auditor independence and the letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), discussed with Y&R its independence from the Company and its management, and considered whether Y&R's provision of non-audit services to the Company was compatible with the auditor's independence; and

- Based on the review and discussion referred to above, and in reliance thereon, the Audit Committee recommended to the Board that the Audited Financial Statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2010, for filing with the U.S. Securities and Exchange Commission.

All members of the Audit Committee concur in this report.

AUDIT COMMITTEE: Ranga Krishna
Sudhakar Shenoy

Compensation Committee Report

The Compensation Committee of the Board is composed of three directors, two of whom meet the current NYSE Amex test for independence. The Committee acts under a written charter adopted by the Board. The Compensation Committee has prepared the following report on its activities for the fiscal year ended March 31, 2010. The "of the Compensation Committee Report" shall not be deemed incorporated by reference by any general statement incorporating this proxy statement into any filing under the Securities Act of 1933 or under the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates this information by reference, and shall not otherwise be deemed filed under such Acts.

The Compensation Committee oversees, on behalf of the board of directors of the Company, The Company’s executive compensation programs, including payments and awards to its executive officers and directors. The Committee has overall responsibility for approving and evaluating the Company’s director and officer compensation plans, policies and programs and addressing other compensation issues facing the Company that require board action. The Committee is also responsible for discussing with management and recommending to the board of directors the Compensation Discussion and Analysis for inclusion in the Company’s annual proxy statement, in accordance with applicable SEC regulations.

In discharging its responsibilities, the Compensation Committee:

- Reviewed and discussed with management the Compensation Discussion and Analysis included in this proxy statement; and

- Based upon its review and discussions, the Compensation Committee recommended to the board of directors that the Compensation Discussion and Analysis be included in the proxy statement and furnished in The Company's annual report on Form 10-K for the fiscal year ended March 31, 2010, through its incorporation by reference from the proxy statement.

All members of the Compensation Committee concur in this report.

COMPENSATION COMMITTEE:	Ranga Krishna
	Richard Prins
	Sudhakar Shenoy

Executive Officers

Set forth below is information regarding our current executive officers. Except as set forth below, there are no family relationships between any of our executive officers and our directors. Executive officers are elected annually by our Board of Directors. Each executive officer holds his office until he resigns or is removed by the Board or his successor is elected and qualified.

Name	Age	Position
Mr. Ram Mukunda	51	Chief Executive Officer, Executive Chairman, President and Director
Mr. John Selvaraj	66	Principal Accounting Officer

Mr. Ram Mukunda has served as our Chief Executive Officer, President and a Director since our inception on April 29, 2005 and was Chairman of the Board from April 29, 2005 through December 15, 2005. Since September 2004 Mr. Mukunda has served as Chief Executive Officer of Integrated Global Networks, LLC, a communications contractor in the U.S. Government. From January 1990 to May 2004, Mr. Mukunda served as Founder, Chairman and Chief Executive Officer of Startec Global Communications, an international telecommunications carrier focused on providing voice over Internet protocol (VOIP) services to the emerging economies. Startec was among the first carriers to have a direct operating agreement with India for the provision of telecom services. Mr. Mukunda was responsible for the organizing, structuring, and integrating a number of companies owned by Startec. Many of these companies provided strategic investments in India-based operations or provided services to India-based companies. Under Mr. Mukunda's tenure at Startec, the company made an initial public offering of its equity securities in 1997 and conducted a public high-yield debt offering in 1998.

From June 1987 to January 1990, Mr. Mukunda served as Strategic Planning Advisor at INTELSAT, a provider of satellite capacity. Mr. Mukunda serves on the Board of Visitors at the University of Maryland School of Engineering. From 2001-2003, he was a Council Member at Harvard's Kennedy School of Government, Belfer Center of Science and International Affairs. Mr. Mukunda is the recipient of several awards, including the University of Maryland's 2001 Distinguished Engineering Alumnus Award and the 1998 Ernst & Young, LLP's Entrepreneur of the Year Award. He holds B.S. degrees in electrical engineering and mathematics and a MS in Engineering from the University of Maryland.

Mr. John B. Selvaraj has served as our Treasurer and Principal Accounting Officer since November 27, 2006. From November 15, 1997 to August 10, 2007, Mr. Selvaraj served in various capacities with Startec, Inc., including from January 2001 to April 2006 as Vice President of Finance and Accounting where he was responsible for SEC reporting and international subsidiary consolidation. Prior to joining Startec, from July 1984 to December 1994, Mr. Selvaraj served as the Chief Financial and Administration Officer for the US office of the European Union. In 1969, Mr. Selvaraj received a BBA in Accounting from Spicer Memorial College India, and an Executive MBA, in 1993, from Averette University, Virginia. Mr. Selvaraj is a Charted Accountant (CA, 1971).

Compensation of Directors

Our directors do not currently receive any cash compensation for their service as members of the board of directors. In 2009 all board members were awarded stock options pursuant to our 2008 Omnibus Incentive Plan. Messers. Prins and Shenoy each received options to purchase 125,000 shares of common stock at an exercise price of $1.00 per share that were exercisable at the time of grant and which expire on May 13, 2014, five years from the date of grant. Mr. Nathani received options to purchase 100,000 shares of common stock at an exercise price of $1.00 per share that were exercisable at the time of grant and which expire on May 13, 2014, five years from the date of grant.

We pay IGN, LLC, an affiliate of Mr. Mukunda, $4,000 per month for office space and certain general and administrative services. Mr. Mukunda is the Chief Executive Officer of IGN, LLC. We believe, based on rents and fees for similar services in the Washington, DC metropolitan area that the fee charged by IGN LLC is at least as favorable as we could have obtained from an unaffiliated third party. The agreement is on a month-to-month basis and may be terminated by the board without notice.

DIRECTOR AND EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overview of Compensation Policy

The Company's Compensation Committee is empowered to review and approve, or in some cases recommend for the approval of the full Board of Directors the annual compensation for the executive officers of the Company. This Committee has the responsibility for establishing, implementing, and monitoring the Company's compensation strategy and policy. Among its principal duties, the Committee ensures that the total compensation of the executive officers is fair, reasonable and competitive.

Objectives and Philosophies of Compensation

The primary objective of the Company's compensation policy, including the executive compensation policy, is to help attract and retain qualified, energetic managers who are enthusiastic about the Company's mission and products. The policy is designed to reward the achievement of specific annual and long-term strategic goals aligning executive performance with company growth and shareholder value. In addition, the Board of Directors strives to promote an ownership mentality among key leaders and the Board of Directors.

Setting Executive Compensation

The compensation policy is designed to reward performance. In measuring executive officers' contribution to the Company, the Compensation Committee considers numerous factors including the Company's growth and financial performance as measured by revenue, gross margin and net income before taxes among other key performance indicators.

Regarding most compensation matters, including executive and director compensation, management provides recommendations to the Compensation Committee; however, the Compensation Committee does not delegate any of its functions to others in setting compensation. The Compensation Committee does not currently engage any consultant related to executive and/or director compensation matters.

Stock price performance has not been a factor in determining annual compensation because the price of the Company’s common stock is subject to a variety of factors outside of management’s control. The Company does not subscribe to an exact formula for allocating cash and non-cash compensation. However, a significant percentage of total executive compensation is performance-based. Historically, the majority of the incentives to executives have been in the form of non-cash incentives in order to better align the goals of executives with the goals of stockholders.

Elements of Company's Compensation Plan

The principal components of compensation for the Company's executive officers are:

- base salary
- performance-based incentive cash compensation
- right to purchase the company's stock at a preset price (stock options)
- retirement and other benefits

Base Salary

The Company provides named executive officers and other employees with base salary to compensate them for services rendered during the fiscal year. Base salary ranges for named executive officers are determined for each executive based on his or her position and responsibility.

During its review of base salaries for executives, the Committee primarily considers:

- market data;
- internal review of the executives' compensation, both individually and relative to other officers; and
- individual performance of the executive.

Salary levels are typically evaluated annually as part of the Company's performance review process as well as upon a promotion or other change in job responsibility.

Performance-Based Incentive Compensation

The management incentive plan gives the Committee the latitude to design cash and stock-based incentive compensation programs to promote high performance and achievement of corporate goals, encourage the growth of stockholder value and allow key employees to participate in the long-term growth and profitability of the Company. So that stock-based compensation may continue to be a viable part of the Company's compensation strategy, management is currently seeking shareholder approval of a proposal to increase the number of shares of Company common stock reserved for issuance pursuant to the Company's Stock Plan.

Ownership Guidelines

To directly align the interests of the Board of Directors with the interests of the stockholders, the Committee recommends that each Board member maintain a minimum ownership interest in the Company. Currently, the Compensation Committee recommends that each Board member own a minimum of 5,000 shares of the Company's common stock with such stock to be acquired within a reasonable time following election to the Board.

Stock Option Program

The Stock Option Program assists the Company to:

- enhance the link between the creation of stockholder value and long-term executive incentive compensation;
- provide an opportunity for increased equity ownership by executives; and
- maintain competitive levels of total compensation.

Stock option award levels will be determined based on market data and will vary among participants based on their positions within the Company and are granted at the Committee's regularly scheduled meeting. As of March 31st, 2010, we had granted 78,820 shares of common stock and 1,413,000 stock options under our Stock Plan.

Perquisites and Other Personal Benefits

The Company provides some executive officers with perquisites and other personal benefits that the Company and the Committee believe are reasonable and consistent with its overall compensation program to better enable the Company to attract and retain superior employees for key positions. The Committee periodically reviews the levels of perquisites and other personal benefits provided to named executive officers.

Some executive officers are provided use of a company automobiles and an assistant. All employees can participate in the plans and programs described above.

Each employee of the Company is entitled to term life insurance, premiums for which are paid by the Company. In addition, each employee is entitled to receive certain medical and dental benefits and part of the cost is funded by the employee.

Accounting and Tax Considerations

The Company's stock option grant policy will be impacted by the implementation of FASB ASC 718 (Previously referred to as SFAS No. 123R), which was adopted in the first quarter of fiscal year 2006. Under this accounting pronouncement, the Company is required to value unvested stock options granted prior to the adoption of FASB ASC 718 under the fair value method and expense those amounts in the income statement over the stock option's remaining vesting period.

Section 162(m) of the Internal Revenue Code restricts deductibility of executive compensation paid to the Company's chief executive officer and each of the four other most highly compensated executive officers holding office at the end of any year to the extent such compensation exceeds $1,000,000 for any of such officers in any year and does not qualify for an exception under Section 162(m) or related regulations. The Committee's policy is to qualify its executive compensation for deductibility under applicable tax laws to the extent practicable. In the future, the Committee will continue to evaluate the advisability of qualifying its executive compensation for full deductibility.

Compensation for Executive Officers of the Company

As described above in " Compensation of Directors", we pay IGN, LLC, an affiliate of Mr. Mukunda, $4,000 per month for office space and certain general and administrative services, an amount which is not intended as compensation for Mr. Mukunda. Around November 27, 2006, we engaged SJS Associates, an affiliate of Mr. Selvaraj, which provides the services of Mr. John Selvaraj as our Treasurer. We have agreed to pay SJS Associates $5,000 per month for these services. Mr. Selvaraj is the Chief Executive Officer of SJS Associates. Effective November 1, 2007 the Company and SJS Associates terminated the agreement. We subsequently entered into a new agreement with SJS Associates on identical terms subsequent to the acquisition of Sricon and TBL. On May 22, 2008, the Company and its subsidiary India Globalization Capital Mauritius ("IGC-M") entered into an employment agreement (the "Employment Agreement") with Ram Mukunda, pursuant to which he will receive a salary of $300,000 per year for services to IGC and IGC-M as Chief Executive Officer. The Employment Agreement was approved in May

2008 and made effective as of March 8, 2008. For fiscal year 2009, Mr. Mukunda was paid $300,000 plus a $150,000 bonus. For fiscal year 2010, Mr. Mukunda was paid $300,000, and he received $40,894 in stock options for total compensation of $340,894.

The annual executive compensation for the Chief Executive Officer and Chief Financial Officer of the Company is set out below.

The following table sets forth information concerning all cash and non-cash compensation awarded to, earned by or paid to (i) all individuals serving as the Company's principal executive officer or acting in a similar capacity during the last two completed fiscal years, regardless of compensation level, and (ii) the Company's two most highly compensated executive officers other than the principal executive officers serving at the end of the last two completed fiscal years (collectively, the "Named Executive Officers").

Summary Compensation Table

Name and Principal Position Compensation	Year	Salary	Bonus	Option Awards(1)	Total
Ram Mukunda, Chief Executive Officer and President	2010	$ 300,000	$ -	$ 40,894	$ 340,894
	2009	$ 300,000	$ 150,000	$ -	$ 450,000
John Selvaraj, Chief Financial Officer	2010	$ 69,000	$ -	$ -	$ 69,000
	2009	$ 63,300	$ -	$ -	$ 63,300

(1) The amounts reported in this column represent the fair value of option awards to the named executive officer as computed on the date of the option grant using the Black-Scholes option-pricing model.

The following table provides information about equity and non-equity awards granted to the Named Executive Officers in the fiscal year ended March 31, 2010.

Grants of Plan-Based Awards

Name	Grant Date	All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards
Ram Mukunda	5/13/2009	39,410	635,000	$ 1.00	$ 60,599

Outstanding Equity Awards at Fiscal Year End

The following table sets forth information with respect to outstanding stock options held by the Company's Named Executive Officers at March 31, 2010.

Number of Securities Underlying	Number of Securities Underlying

Name	Unexercised Options (#) Exercisable	Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date
Ram Mukunda	635,000	-	$ 1.00	5/13/14

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Compensation of Directors

The following table sets forth all compensation awarded to, earned by or paid to the directors in the fiscal year ended March 31, 2010 for service as directors:

Name	Fees Earned Or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Ram Mukunda	0	0	0	0	0	0	$ 0
Dr. Ranga Krishna (1)	0	0	$ 22,540	0	0	0	$ 22,540
Sudhakar Shenoy (2)	0	0	$ 8,050	0	0	0	$ 8,050
Richard Prins (2)	0	0	$ 8,050	0	0	0	$ 8,050
Suhail Nathani (2)	0	0	$ 6,440	0	0	0	$ 6,440

(1) Non-qualified option to purchase 350,000 shares of the Company’s common stock at $1.00 granted on May 13, 2009 exercisable in full upon the date of grant for a period of 5 years.

(2) Non-qualified option to purchase 125,000 shares of the Company’s common stock at $1.00 granted on May 13, 2009 exercisable in full upon the date of grant for a period of 5 years.

(3) Non-qualified option to purchase 100,000 shares of the Company’s common stock at $1.00 granted on May 13, 2009 exercisable in full upon the date of grant for a period of 5 years.

All compensation paid to our employee director is set forth in the tables summarizing executive officer compensation above.

The Option Awards column reflects the grant date fair value, in accordance with Accounting Standards Codification (ASC) Topic 718, Compensation — Stock Compensation (formerly Statement of Financial Accounting Standards (SFAS) No. 123R) for awards pursuant to the Company’s equity incentive program. Assumptions used in the calculation of these amounts for the fiscal year ended March 31, 2010 are included in Footnote 16 “Stock-Based Compensation” to the Company’s audited financial statements for the fiscal year ended March 31, 2010, included in the Company’s Annual Report on Form 10-K filed with the SEC on July 14, 2010.

The Company cautions that the amounts reported in the Director Compensation Table for these awards may not represent the amounts that the directors will actually realize from the awards. Whether, and to what extent, a director realizes value will depend on the Company's actual operating performance and stock price fluctuations.

Employment Contracts

Ram Mukunda has served as President and Chief Executive Officer of the Company since its inception. The Company, IGC-M and Mr. Mukunda entered into an Employment Agreement on May 22, 2008, which agreement was made effective as of March 8, 2008, the date on which the Company completed its acquisition of Sricon and TBL. Pursuant to the agreement, the Company pays Mr. Mukunda a base salary of $300,000 per year. Mr. Mukunda was also entitled to receive bonuses of at least $225,000 for meeting certain targets for net income (before one-time charges including charges for employee options, warrants and other items) for fiscal year 2009 and is entitled to receive $150,000 for meeting targets with respect to obtaining new contracts. The Agreement further provides that the Board of Directors of the Company may review and update the targets and amounts for the net revenue and contract bonuses on an annual basis. The Agreement also provides for benefits, including insurance, 20 days of paid vacation, a car (subject to partial reimbursement by Mr. Mukunda of lease payments for the car) and reimbursement of business expenses. The term of the Employment Agreement is five years, after which employment will become at-will. The Employment Agreement is terminable by the Company and IGC-M for death, disability and cause. In the event of a termination without cause, the Company would be required to pay Mr. Mukunda his full compensation for 18 months or until the term of the Employment Agreement was set to expire, whichever is earlier.

In partial consideration for the equity shares in Sricon purchased by the Company, pursuant to the terms of a Shareholders Agreement dated as of September 15, 2007 by and among IGC, Sricon and the Promoters of Sricon, the stockholders of Sricon as of the date of the acquisition, including Ravindra Lal Srivastava, who currently serves as the Chairman and Managing Director of Sricon, shall have the right to receive up to an aggregate of 418,431 equity shares of Sricon over a three-year period if Sricon achieves certain profit after tax targets for its 2008-2010 fiscal years. The maximum number of shares the Promoters may receive in any given fiscal year is 139,477 shares. If Sricon’s profits after taxes for a given fiscal year are less than 100% of the target for that year but are equal to at least 85% of the target, the Promoters shall receive a pro-rated portion of the maximum share award for that fiscal year. A copy of this agreement was filed with the SEC in the Company’s definitive proxy statement filed February 8, 2008 and is incorporated here by reference.

In partial consideration for the equity shares in TBL purchased by the Company, pursuant to the terms of a Shareholders Agreement dated as of September 16, 2007 by and among IGC, TBL and the Promoters of TBL, Jortin Anthony, who currently serves as a Director of TBL, shall have the right to receive up to an aggregate of 1,204,000 equity shares of TBL over a five-year period if TBL achieves certain profit after tax targets for its 2008-2012 fiscal years. The maximum number of shares Mr. Anthony may receive is 140,800 shares for fiscal year 2008 and 265,800 shares for each of the following fiscal years. If TBL’s profits after taxes for a given fiscal year are less than 100% of the target for that year but are equal to at least 85% of the target Mr. Anthony shall receive a pro-rated portion of the maximum share award for that fiscal year. No shares of TBL have been granted under this plan. A copy of this agreement was filed with the SEC in the Company’s definitive proxy statement filed February 8, 2008 and is incorporated here by reference.

Compensation Risk Assessment

In setting compensation, the Compensation Committee considers the risks to the Company's stockholders and to achievement of its goals that may be inherent in its compensation programs. The Compensation Committee reviewed and discussed its assessment with management and outside legal counsel and concluded that the Company's compensation programs are within industry standards and are designed with the appropriate balance of risk and reward to align employees' interests with those of the Company and do not incent employees to take unnecessary or excessive risks. Although a portion of our executives' and employees' compensation is performance-based and "at risk," we believe our compensation plans are appropriately structured and are not reasonably likely to result in a material adverse effect on the Company.

Securities Authorized for Issuance Under Equity Compensation Plans

As of March 31, 2009 there were 1,300,000 shares authorized for issuance under the 2008 Omnibus Incentive Plan. Since then, 828,955 options were issued. As of March 31st, 2010, 471,045 options remain issuable.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

During the last two fiscal years, we have not entered into any material transactions or series of transactions that would be considered material in which any officer, director or beneficial owner of 5% or more of any class of our capital stock, or any immediate family member of any of the preceding persons, had a direct or indirect material interest, nor are there any such transactions presently proposed, other than the agreements with IGN, an affiliate of Ram Mukunda, and SJS Associates, an affiliate of John Selvaraj, described above and as set forth below. Mr. Mukunda and Dr. Krishna received 39,410 shares each as a replacement for shares that they tendered to former stockholders of the Company in order to meet a shortfall of shares owed to such former stockholders. The shares given to Mr. Mukunda and Dr. Krishna were not issued as compensation for services and accordingly are not reflected in the compensation tables.

We are party to indemnification agreements with each of the executive officers and directors. Such indemnification agreements require us to indemnify these individuals to the fullest extent permitted by law.

Review, Approval or Ratification of Related Party Transactions

We do not maintain a formal written procedure for the review and approval of transactions with related persons. It is our policy for the disinterested members of our board to review all related party transactions on a case-by-case basis. To receive approval, a related-party transaction must have a business purpose for IGC and be on terms that are fair and reasonable to IGC and as favorable to IGC as would be available from non-related entities in comparable transactions.

Pursuant to the terms of a registration rights agreement with the Company, the holders of the majority of these shares issued to our officers and directors prior to our initial public offering are be entitled to make up to two demands that we register these shares. The holders of the majority of these shares can elect to exercise these registration rights at any time after the date on which the lock-up period expires. The lock-up period expired on September 8, 2008. In addition, these stockholders have certain “piggy-back” registration rights on registration statements filed subsequent to such date. We will bear the expenses incurred in connection with the filing of any such registration statements. We have registered these shares for resale on a registration statement that was initially declared effective on November 12, 2008.

AUDIT INFORMATION

Yoganandh & Ram Chartered Accountants (“Y & R”) is our Principal Independent Registered Public Accounting Firm engaged to examine our financial statements for the fiscal years ended March 31, 2010 and 2009. McGladrey & Pullen, LLP (“McGladrey”) was our independent accounting firm for the fiscal year ended March 31, 2008. Effective May 5, 2008, our Audit Committee dismissed McGladrey as our independent accounting firm and appointed Y & R in that role. During the period from McGladrey’s initial retention by the Company through March 31, 2008, and through May 8, 2008, there were: (i) no "disagreements" (as such term is defined in Item 304(a)(1)(iv) of Regulation S-K), between the Company and McGladrey on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of McGladrey, would have caused McGladrey to make reference to the subject matter of the disagreement in their reports on the Company's consolidated financial statements for such period; and (ii) no "reportable events" (as such term is defined in Item 304(a)(1)(v) of Regulation S-K).

During the Company’s most two recent fiscal years ended March 31, 2010 and 2009 and through June 30, 2010, the Company did not consult with Y & R or McGladrey on (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that may be rendered on the Company’s financial statements, and neither Y & R nor McGladrey provided either a written report or oral advice to the Company that was an important factor considered by the Company in reaching a decision as to any accounting, auditing, or financial reporting issue; or (ii) the subject of any disagreement, as defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions, or a reportable event within the meaning set forth in Item 304(a)(1)(v) of Regulation S-K.

Audit Related and Other Fees

The following table shows the fees that we paid or accrued for the audit and other services provided by Y &R for the fiscal years ended March 31, 2010 and 2009 and by McGladrey for the fiscal year ended March 31, 2009. McGladrey did not provide any substantial services for FYE 2009. Except as specified otherwise in the table, we paid the fees to Y & R.

Audit Fees

This category includes the audit of our annual financial statements, review of financial statements included in our annual and quarterly reports and services that are normally provided by the independent registered public accounting firms in connection with engagements for those fiscal years. This category also includes advice on audit and accounting matters that arose during, or as a result of, the audit or the review of interim financial statements.

Audit-Related Fees

This category consists of assurance and related services by the independent registered public accounting firms that are reasonably related to the performance of the audit or review of our financial statements and are not reported above under "Audit Fees". The services for the fees disclosed under this category include services relating to our registration statement and consultation regarding our correspondence with the SEC.

Tax Fees

This category consists of professional services rendered for tax compliance, tax planning and tax advice. These services include tax return preparation and advice on state and local tax issues.

All Other Fees

This category consists of fees for other miscellaneous items.

	March 31, 2010	March 31, 2009
Audit Fees – McGladrey	0	13,708
Audit Fees - Yoganandh & Ram	55,000	38,448
Audit-Related Fees	0	0
Tax Fees	0	9,430
All other Fees	13,758	5,520
Total	$ 68,758	$ 67,106

Policy on Pre-Approval of Audit and Permissible Non-audit Services of Independent Auditors

Consistent with SEC policies regarding auditor independence, the audit committee of our board of directors has responsibility for appointing, setting compensation and overseeing the work of the independent auditor. In recognition of this responsibility, our board of directors has established a policy to pre-approve all audit and permissible non-audit services provided by the independent auditor.

Prior to engagement of the independent auditor for the next year's audit, management will submit an aggregate of services expected to be rendered during that year for each of the following four categories of services to our board of directors for approval.

1. Audit services include audit work performed in the preparation of financial statements, as well as work that generally only the independent auditor can reasonably be expected to provide, including comfort letters, statutory audits, and attest services and consultation regarding financial accounting and/or reporting standards.

2. Audit-Related services are for assurance and related services that are traditionally performed by the independent auditor, including due diligence related to mergers and acquisitions, employee benefit plan audits, and special procedures required to meet certain regulatory requirements.

3. Tax services include all services performed by the independent auditor's tax personnel except those services specifically related to the audit of the financial statements, and includes fees in the areas of tax compliance, tax planning, and tax advice.

Other Fees are those associated with services not captured in the other categories.

Prior to engagement, our board of directors pre-approves these services by category of service. The fees are budgeted and our board of directors requires the independent auditor and management to report actual fees versus the budget periodically throughout the year by category of service. During the year, circumstances may arise when it may become necessary to engage the independent auditor for additional services not contemplated in the original pre-approval. In those instances, our board of directors requires specific pre-approval before engaging the independent auditor.

Our audit committee may delegate pre-approval authority to one or more of its members. The member to whom such authority is delegated must report, for informational purposes only, any pre-approval decisions to our board of directors at its next scheduled meeting.

Pre-Approved Services

The Audit Committee's charter provides for pre-approval of audit, audit-related and tax services to be performed by the independent auditors. As the Audit Committee was not established until March 2009, the services, as described above, were not pre-approved by the Audit Committee but were approved by the Board as a whole pursuant to Section 3(a)(58) of the Securities Exchange Act of 1934. The Audit Committee approved the audit, audit-related and tax services to be performed by independent auditors and tax professionals in 2010.

The charter also authorizes the Audit Committee to delegate to one or more of its members pre-approval authority with respect to permitted services. The decisions of any Audit Committee member to whom pre-approval authority is delegated must be presented to the full Audit Committee at its next scheduled meeting. The Audit Committee has not delegated such authority to its members.

PROPOSALS FOR 2011 ANNUAL MEETING

Under the regulations of the Securities and Exchange Commission, if you desire to make a proposal to be acted upon at the 2011 Annual Meeting of Shareholders, you must deliver the proposal, in proper form, to the Secretary of the Company, no later than March 25, 2011, in order for the proposal to be considered for inclusion in the Company's Proxy Statement and form of proxy for that meeting. If next year's annual meeting is held on a date more than 30 calendar days from August 16, 2011, a stockholder proposal must be received by a reasonable time before the Company begins to print and mail its proxy solicitation materials. Any stockholder proposals will be subject to the requirements of the proxy rules adopted by the Securities and Exchange Commission. The address for the Secretary of the Company is 4336 Montgomery Ave, Bethesda, MD 20814.

Our Bylaws also prescribe the procedure that a shareholder must follow to nominate directors or to bring other business before shareholders' meetings. To nominate a candidate for director or to bring other business before a meeting, notice must be received by the Secretary of the Company (i) no later than May 18, 2011, and no earlier than April 18, 2011 or (ii) if the date of the 2011 Annual Meeting of Shareholders is advanced by more than thirty days or delayed by more than sixty days from the anniversary date of this Annual Meeting, no later than the close of business on the later of the sixtieth day prior to such annual meeting or the tenth day following the day on which public announcement of the date of such meeting is first made by the Corporation and no earlier than the close of business on the ninetieth day prior to such annual meeting. Notice of a nomination for director must describe various matters regarding the nominee and the shareholder giving the notice. Notice of other business to be brought before the meeting must include a description of the proposed business, the reasons therefore, and other specified matters. The nominating committee will consider candidates recommended by shareholders in the same manner it considers other candidates. Any shareholder may obtain a copy of the Company's Bylaws, without charge, upon written request to the Secretary of the Company, Parveen Mukunda, at the address set forth above.

PROXY

THIS PROXY IS SOLICITED ON BEHALF OF
THE BOARD OF DIRECTORS OF INDIA GLOBALIZATION CAPTIAL INC.
for the August 16, 2010 Annual Meeting of Stockholders and any postponement(s) or adjournment(s) thereof.

The undersigned hereby: (a) acknowledges receipt of the Notice of the Annual Meeting of the stockholders of India Globalization Capital Inc. to be held on August 16, 2010 (the “Annual Meeting”), and the associated Proxy Statement; (b) appoints Ram Mukunda, as proxy, with the power to appoint a substitute; (c) authorizes each proxy to represent and vote, as designated below, all of the shares of Common Stock of the Company, par value $0.001 per share, held of record by the undersigned at the close of business on June 28, 2010, at the Annual Meeting and at any postponement(s) or adjournment(s) thereof; and (d) revokes any proxies previously given.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON AUGUST 16, 2010:

This Proxy Statement, the Notice of Annual Meeting of Shareholders and Our Annual Report to Shareholders are available at http://www.IndiaGlobalCap.com.

1. The Board of Directors recommends a vote FOR each director of the Company listed below, to serve until the Annual Meeting of Stockholders following the 2012 fiscal year with respect to Dr. Krishna and Mr. Prins and until the Annual Meeting of Stockholders following the 2013 fiscal year with respect to Mr. Mukunda and in each case until such director’s respective successors shall be elected and qualified, or until such director’s earlier death, resignation or removal from office.

Dr. Ranga Krishna
FOR o WITHHOLDo

Mr. Ram Mukunda
FORo WITHHOLDo

Mr. Richard Prins
FORo WITHHOLDo

2. The Board of Directors recommends a vote FOR ratification of the appointment of Yoganandh & Ram (“Y & R”) as the independent auditors for the Company for the fiscal year ending March 31, 2011.

FORo AGAINSTo ABSTAINo

This Proxy Card, when properly executed, will be voted in the manner directed herein by the undersigned stockholder(s). If no direction is made, this Proxy will be voted FOR the proposals set forth above.

Please sign, date, and return this Proxy as
promptly as possible in the envelope provided:

Dated:
, 2010

X

X
Signature(s) of Stockholders

Joint owners should each sign. Signature(s) should correspond with the name(s) printed on your stock certificates. Attorneys, executors, administrators, and guardians should give full title. If a corporation, please sign in full corporate name by the president or other authorized officer. If a partnership, please sign in partnership name by authorized person.