

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2015

OR

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

Commission file number: 033-02783-S

**Sigma Labs, Inc.**

(Exact name of registrant as specified in its charter)

NEVADA

(State or other jurisdiction of incorporation or organization)

82-0404220

(IRS Employer Identification No.)

3900 Paseo del Sol  
Santa Fe, NM 87507

(Address of principal executive offices)

(505) 438-2576  
(Registrant's telephone number)

(Former Name or Former Address, if Changed Since Last Report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company.

Large accelerated filer  
Non-accelerated filer

Accelerated Filer  
Smaller reporting company

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of August 7, 2015, the issuer had 623,344,835 shares of common stock issued and outstanding.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes   
No

**SIGMA LABS, INC.**

**For the quarter ended June 30, 2015**

**FORM 10-Q**

**TABLE OF CONTENTS**

<u>PART I</u>	3
<u>ITEM 1. FINANCIAL STATEMENTS</u>	3
<u>ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	14
<u>ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	19
<u>ITEM 4. CONTROLS AND PROCEDURES</u>	19
<u>PART II</u>	19
<u>ITEM 1. LEGAL PROCEEDINGS</u>	19
<u>ITEM 1A. RISK FACTORS</u>	19
<u>ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.</u>	19
<u>ITEM 3. DEFAULTS UPON SENIOR SECURITIES</u>	19
<u>ITEM 4. MINE SAFETY DISCLOSURES</u>	19
<u>ITEM 5. OTHER INFORMATION</u>	19
<u>ITEM 6. EXHIBITS</u>	20
<u>SIGNATURES</u>	21

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## PART I

## ITEM 1. FINANCIAL STATEMENTS.

Sigma Labs, Inc. and Subsidiary  
Consolidated Balance Sheets  
June 30, 2015 and December 31, 2014

	June 30, 2015 (Unaudited)	December 31, 2014 (Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 2,224,318	\$ 2,962,069
Accounts Receivable, net	127,961	117,726
Inventory	76,103	56,175
Prepaid Assets	58,610	29,986
<b>Total Current Assets</b>	<b>2,486,992</b>	<b>3,165,956</b>
<b>Other Assets</b>		
Property and Equipment, net	739,802	803,027
Deferred Stock Offering Costs	95,511	95,511
Intangible Assets, net	96,040	95,847
<b>Total Other Assets</b>	<b>931,353</b>	<b>994,385</b>
<b>TOTAL ASSETS</b>	<b>\$ 3,418,345</b>	<b>\$ 4,160,341</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 95,675	\$ 309,698
Accrued Expenses	49,227	44,652
<b>Total Current Liabilities</b>	<b>144,902</b>	<b>354,350</b>
<b>TOTAL LIABILITIES</b>	<b>144,902</b>	<b>354,350</b>
<b>Stockholders' Equity</b>		
<b>Preferred Stock, \$0.001 par; 10,000,000 shares authorized;</b> None issued and outstanding	-	-
<b>Common Stock, \$0.001 par; 750,000,000 shares authorized;</b> 623,344,835 issued and 617,292,949 outstanding at June 30, 2015 and 619,741,061 issued and 612,741,061 outstanding at December 31, 2014 and	623,345	619,741
<b>Additional Paid-In Capital</b>	9,985,684	9,798,288
<b>Less Deferred Compensation</b> 6,051,886 and 7,000,000 common shares, respectively	(655,500)	(744,200)
<b>Retained Earnings (Deficit)</b>	(6,680,086)	(5,867,838)
<b>Total Stockholders' Equity</b>	<b>3,273,443</b>	<b>3,805,991</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 3,418,345</b>	<b>\$ 4,160,341</b>

**Sigma Labs, Inc. and Subsidiary**  
**Unaudited Condensed Consolidated Statements of Operations**  
**Three Months and Six Months Ended June 30, 2015 and 2014**

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
<b>INCOME</b>				
Services	\$ 196,263	\$ 114,813	\$ 381,949	\$ 229,642
<b>Total Revenue</b>	<b>196,263</b>	<b>114,813</b>	<b>381,949</b>	<b>229,642</b>
<b>COST OF SERVICE REVENUE</b>	<b>88,262</b>	<b>84,739</b>	<b>113,129</b>	<b>140,628</b>
<b>GROSS PROFIT</b>	<b>108,001</b>	<b>30,074</b>	<b>268,820</b>	<b>89,014</b>
<b>EXPENSES</b>				
Other General and Administration	326,075	135,651	593,778	315,047
Payroll Expense	74,474	50,754	147,134	302,699
Non-cash Stock Compensation	134,250	326,200	257,000	351,400
Warrant Expense	-	1,283,333	-	1,283,333
Research and Development	13,881	30,985	84,028	101,132
<b>Total Expenses</b>	<b>548,680</b>	<b>1,826,923</b>	<b>1,081,940</b>	<b>2,353,611</b>
<b>OTHER INCOME (EXPENSE)</b>				
Interest Income	312	940	872	1,782
Interest Expense	-	-	-	-
<b>Total Other Income (Expense)</b>	<b>312</b>	<b>940</b>	<b>872</b>	<b>1,782</b>
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	<b>(440,367)</b>	<b>(1,795,909)</b>	<b>(812,248)</b>	<b>(2,262,815)</b>
Current Income Tax Expense	-	-	-	-
Deferred Income Tax Expense	-	-	-	-
<b>Net Income (Loss)</b>	<b>\$ (440,367)</b>	<b>\$ (1,795,909)</b>	<b>\$ (812,248)</b>	<b>\$ (2,262,815)</b>
<b>Loss per Common Share - Basic and Diluted</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>
<b>Weighted Average Number of Shares</b>				
<b>Outstanding - Basic and Diluted</b>	<b>623,344,835</b>	<b>606,743,259</b>	<b>621,990,931</b>	<b>602,814,680</b>

**Sigma Labs, Inc. and Subsidiary**  
**Unaudited Condensed Consolidated Statements of Cash Flows**  
**Six Months Ended June 30, 2015 and 2014**

	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
<b>OPERATING ACTIVITIES</b>		
Net Income (Loss)	\$ (812,248)	\$ (2,262,815)
<b>Adjustments to reconcile Net Income (Loss) to Net Cash provided (used) by operations:</b>		
<b>Noncash Expenses:</b>		
Amortization	1,154	1,154
Depreciation	81,343	3,073
Stock Compensation	257,000	351,400
Warrant Expense	-	1,283,333
<b>Change in assets and liabilities:</b>		
(Increase) Decrease in Accounts Receivable	(5,351)	235,813
(Decrease) in Allowance for Doubtful Accounts	(4,884)	-
(Increase) in Inventory	(19,928)	(17,296)
Decrease in Prepaid Assets	(5,924)	(3,570)
(Decrease) in Accounts Payable	(214,023)	(65,054)
Increase In Accrued Expenses	4,575	10,499
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(718,286)</b>	<b>(463,463)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of Furniture and Equipment	(18,118)	-
Purchase of Intangible Assets	(1,347)	(872)
<b>NET CASH (USED) BY INVESTING ACTIVITIES</b>	<b>(19,465)</b>	<b>(872)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from Sale of Stock Subscriptions	-	4,000,000
Stock Offering Costs	-	(206,698)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>-</b>	<b>3,793,302</b>
<b>NET CASH INCREASE (DECREASE) FOR PERIOD</b>	<b>(737,751)</b>	<b>3,328,967</b>
<b>CASH AT BEGINNING OF PERIOD</b>	<b>2,962,069</b>	<b>992,448</b>
<b>CASH AT END OF PERIOD</b>	<b>\$ 2,224,318</b>	<b>\$ 4,321,415</b>

**Supplemental Disclosure for Cash Flow Information**

Cash paid during the period for:		
Interest	\$ -	\$ -
Income Taxes	\$ -	\$ -

**Supplemental Schedule of Noncash Investing and Financing Activities:**

For the six months ended June 30, 2015  
3,603,774 shares issued to an officer, a director and two consultants at \$0.053 per share. Of these, 2,301,888 vested during the period and 1,301,886 remain unvested.  
1,125,000 shares vested relating to the Company's Equity Incentive Plan, reducing deferred compensation by \$135,000.  
Shares of stock were issued as prepaid stock compensation in the amount of \$22,700

For the six months ended June 30, 2014  
375,000 shares issued for consulting services at \$0.126 per share. Of these, 200,000 vested during the quarter and 175,000 are unvested.  
Warrants to purchase 14,259,259 shares of common stock were issued in conjunction with the sale of common stock.  
Warrants to purchase 2,187,500 shares of common stock were issued to a consultant as part of a stock offering.  
1,850,000 shares vested relating to the Company's Equity Incentive Plan, reducing deferred compensation by \$50,600.  
850,000 shares issued to two employees and a director at \$0.136 per share.  
1,250,000 shares issued for consulting services at \$0.128 per share.  
Warrants to purchase 2,037,037 shares of common stock were issued in conjunction with the sale of common stock.  
Warrants to purchase 312,500 shares of common stock were issued to a consultant as part of a stock offering.

**SIGMA LABS, INC. AND SUBSIDIARY**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 1 – Summary of Significant Accounting Policies**

**Nature of Business** – On September 13, 2010 Sigma Labs, Inc., formerly named Framewaves, Inc., a Nevada corporation, acquired 100% of the shares of B6 Sigma, Inc. by exchanging 6.67 shares of Framewaves, Inc. restricted common stock for each issued and outstanding share of B6 Sigma, Inc. The acquisition has been accounted for as a “reverse purchase”, and accordingly the operations of Framewaves, Inc. prior to the date of acquisition have been eliminated. Unless otherwise indicated or the context otherwise requires, the term “B6 Sigma” refers to B6 Sigma, Inc., a Delaware corporation and our wholly-owned, operating company; the terms the “Company,” “Sigma,” “we,” “us” and “our” refer to Sigma Labs, Inc., together with B6 Sigma, Inc. Sigma conducts substantially all of its operations through B6 Sigma.

B6 Sigma, Inc., incorporated February 5, 2010, was founded by a group of scientists, engineers and businessmen to develop and commercialize novel and unique manufacturing and materials technologies. The Company believes that some of these technologies will fundamentally redefine conventional quality assurance and control practices by embedding quality assurance and process control into the manufacturing processes in real time. The Company anticipates that its core technologies will allow its clientele to combine advanced manufacturing quality assurance and control protocols with novel materials to achieve breakthrough product potential in many industries including aerospace, defense, oil and gas, bio-medical, and power generation.

As of December 31, 2011, Sigma Labs, Inc. acquired 100% of the shares of Sumner & Lawrence Limited (“Sumner”), a New Mexico Corporation, and La Mancha Company, a New Mexico Corporation, in exchange for 35,000,000 shares of Sigma Labs, Inc. common stock. The operations of Sumner and La Mancha Company prior to the date of acquisition have been eliminated. La Mancha Company and Sumner have since ceased all operations and were dissolved in 2013 and 2014, respectively.

**Basis of Presentation** – The accompanying consolidated financial statements have been prepared by the Company in accordance with Article 8 of U.S. Securities and Exchange Commission Regulation S-X. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at June 30, 2015 and 2014 and for the periods then ended have been made. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted. Management suggests these condensed consolidated financial statements be read in conjunction with the December 31, 2014 audited consolidated financial statements and notes thereto included in the Company’s Form 10-K. The results of operations for the periods ended June 30, 2015 and 2014 are not necessarily indicative of the operating results for the full year.

**Reclassification** – Certain amounts in prior-period financial statements have been reclassified for comparative purposes to conform to presentation in the current-period financial statements.

**Principles of Consolidation** – The consolidated financial statements for June 30, 2015 include the accounts of Sigma Labs, Inc. and B6 Sigma, Inc. All significant intercompany balances and transactions have been eliminated.

**Property and Equipment** – Property and equipment are stated at cost. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized upon being placed in service. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated life has been determined to be three years unless a unique circumstance exists, which is then fully documented as an exception to the policy.

**Fair Value of Financial Instruments** – The Company estimates that the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying consolidated balance sheets because of the short-term maturity of these financial instruments.

**Income Taxes** – The Company accounts for income taxes in accordance with ASC Topic No. 740, “Accounting for Income Taxes.”

The Company adopted the provisions of ASC Topic No. 740, “Accounting for Income Taxes,” at the date of inception on February 5, 2010. As a result of the implementation of ASC Topic No. 740, the Company recognized no increase in the liability for unrecognized tax benefits.

The Company has no tax positions at June 30, 2015 and December 31, 2014 for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility.

The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. During the six months ended June 30, 2015, the Company recognized no interest and penalties. The Company had no accruals for interest and penalties at June 30, 2015 and 2014, or December 31, 2014. All tax years starting with 2010 are open for examination.

**Loss Per Share** – The computation of loss per share is based on the weighted average number of shares outstanding during the period in accordance with ASC Topic No. 260, “Earnings Per Share.”

**Accounts Receivable and Allowance for Doubtful Accounts** - Trade accounts receivable are carried at original invoice amount less an estimate made for doubtful accounts. We determine the allowance for doubtful accounts by identifying potential troubled accounts and by using historical experience and future expectations applied to an aging of accounts. Trade accounts receivable are written off when deemed uncollectible. Recoveries of trade accounts receivable previously written off are recorded as income when received. The allowance for doubtful accounts at June 30, 2015 and December 31, 2014 was \$0 and \$4,884 respectively.

**Long-Lived and Intangible Assets** – Long-lived assets and certain identifiable definite life intangibles to be held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company continuously evaluates the recoverability of its long-lived assets based on estimated future cash flows and the estimated liquidation value of such long-lived assets, and provides for impairment if such undiscounted cash flows are insufficient to recover the carrying amount of the long-lived assets. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and fair value. Fair values are determined based on quoted market values, discounted cash flows or internal and external appraisals, as applicable. Assets to be disposed of are carried at the lower of carrying value or estimated net realizable value. No impairment was recorded in the six months ended June 30, 2015 or the year ended December 31, 2014.

**Recently Enacted Accounting Standards** – The FASB established the Accounting Standards Codification (“Codification” or “ASC”) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in accordance with generally accepted accounting principles in the United States (“GAAP”). Rules and interpretive releases of the Securities and Exchange Commission (“SEC”) issued under authority of federal securities laws are also sources of GAAP for SEC registrants.

Recent Accounting Standards Updates (“ASU”) through ASU No. 2015-01 contain technical corrections to existing guidance or affects guidance to specialized industries or situations. These updates have no current applicability to the Company or their effect on the financial statements would not have been significant.

**Cash Equivalents** - The Company considers all highly liquid investments with an original maturity of three months or less at date of purchase to be cash equivalents.

**Concentration of Credit Risk** - The Company maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

**Organization Expenditures** – Organizational expenditures are expensed as incurred for SEC filings, but capitalized and amortized for income tax purposes.

**Stock Based Compensation** – The Company recognizes compensation costs to employees under ASC Topic No. 718, “Compensation – Stock Compensation.” Under ASC Topic No. 718, companies are required to measure the compensation costs of share-based compensation arrangements based on the grant-date fair value and recognize the costs in the financial statements over the period during which employees are required to provide services. Share based compensation arrangements may include stock options, grants of shares of common stock with and without restrictions, performance based awards, share appreciation rights and employee share purchase plans. As such, compensation cost is measured on the date of grant at its fair value. Such compensation amounts, if any, are amortized over the respective vesting periods of the option or stock grants. Unvested option or stock grants for compensation are included in the Statement of Stockholders’ Equity as a contra-equity account as “Deferred Compensation.”

Equity instruments issued to non-employees are recorded on the basis of the fair value of the instruments, as required by ASC Topic No. 505, "Equity Based Payments to Non-Employees." In general, the measurement date is either (a) when a performance commitment, as defined, is reached or (b) the earlier of the date that (i) the non-employee performance requirement is complete or (ii) the instruments are vested. The measured value related to the instruments is recognized over a period based on the facts and circumstances of each particular grant as defined in the FASB Accounting Standards Codification.

**Amortization** - Utility patents are amortized over a 17 year period. Patents which are pending are not amortized. The customer contacts intangible asset was being amortized over a 3 year period.

**Accounting Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated by management. Significant accounting estimates that may materially change in the near future are impairment of long-lived assets, values of stock compensation awards and stock equivalents granted as offering costs, and allowance for bad debts and inventory obsolescence.

**Revenue Recognition** - The Company's revenue is derived primarily from providing services under contracts. The Company recognizes revenue in accordance with ASC Topic No. 605 based on the following criteria: Persuasive evidence of an arrangement exists, services have been rendered, the price is fixed or determinable, and collectability is reasonably assured. In general, the Company recognizes service revenue as significant services under the relevant arrangement have been performed.

**Deferred Stock Offering Costs** - Costs related to proposed stock offerings (if any) are deferred and will be offset against the proceeds of the offering in additional paid-in capital. In the event a stock offering is unsuccessful, the costs relating to the offering will be written-off directly to expense.

**Inventory** - Inventories consist of raw materials used in the production of customized parts totaling \$11,658 and work in process components totaling \$64,445 which will be sold to customers. Inventories are valued at the lower of cost or market.

**Research and Development** - Research and development costs are expensed as they are incurred. Research and development costs for the six months ended June 30, 2015 and 2014 were \$84,028 and \$101,132, respectively.

## **NOTE 2 – Stockholders' Equity**

### **Common Stock**

The Company has authorized 750,000,000 shares of common stock, \$0.001 par value.

On May 23, 2013, the Company issued 2,000,000 shares of the Company's common stock to a consultant as noncash compensation for services to be rendered valued at \$45,400 or \$0.0227 per share. Of these shares, 1,000,000 (valued at \$22,700) vested immediately and 1,000,000 (valued at \$22,700) are reflected as prepaid assets as of June 30, 2015.

In January 2014, the Company issued 43,750,000 shares of stock to an investor for a total purchase price of \$3,500,000. In connection with the purchase and sale of the shares, the Company agreed to issue to the investor a warrant to purchase up to 14,259,259 shares of the Company's common stock, at an exercise price of \$0.15 per share. The warrant had a term of nine months from the date of issuance (January 10, 2014) and had a fair value of approximately \$1,212,037. In May 2014, the term of the warrant was extended by nine months to expire in July 2015 and had a fair market value in excess of the remaining fair market value of the original warrant of approximately \$1,283,333. A warrant was also issued as part of the offering to a consultant to purchase up to 2,187,500 shares of common stock at \$0.08 per share, valued at approximately \$271,250. That warrant has a term of two years from the date of issuance (January 10, 2014). Offering costs paid from the proceeds of the offering were approximately \$199,089.

The fair value of the warrant of \$1,212,037 was calculated using a Black-Scholes option pricing model with the following assumptions: expected life of nine months, expected volatility of 202%, a risk-free interest rate of 0.09%, and an expected dividend yield of 0%. The fair value of the warrant of \$271,250 was calculated using a Black-Scholes option pricing model with the following assumptions: expected life of two years, expected volatility of 201%, a risk-free interest rate of 0.39%, and an expected dividend yield of 0%.

The fair value of the new warrant related to the extension of the warrant expiration of \$1,283,333 (net) was calculated using a Black-Scholes option pricing model with the following assumptions: expected life of 14 months, expected volatility of 226%, a risk-free interest rate of 0.1%, and an expected dividend yield of 0%.

In June 2014, the Company issued 6,250,000 shares of stock to an investor for a total purchase price of \$500,000. In connection with the purchase and sale of the shares, the Company agreed to issue to the investor a warrant to purchase up to 2,037,037 shares of the Company's common stock, at an exercise price of \$0.15 per share. The warrant had a term of one year from the date of issuance (June 4, 2014) and had a fair value of approximately \$132,407. A warrant was also issued as part of the offering to a consultant to purchase up to 312,500 shares of common stock at \$0.08 per share, valued at approximately \$36,250. That warrant has a term of two years from the date of issuance (June 4, 2014). Offering costs paid from the proceeds of the offering were approximately \$25,035.

The fair value of the warrant of \$132,407 was calculated using a Black-Scholes option pricing model with the following assumptions: expected life of one year, expected volatility of 163%, a risk-free interest rate of 0.1%, and an expected dividend yield of 0%. The fair value of the warrant of \$36,250 was calculated using a Black-Scholes option pricing model with the following assumptions: expected life of two years, expected volatility of 287%, a risk-free interest rate of 0.41%, and an expected dividend yield of 0%.

In November 2014, the Company issued 1,500,000 shares of stock to a director, subject to restrictions, pursuant to the Company's 2013 Equity Incentive Plan (the "2013 Plan"). The shares were valued at \$0.094 or \$141,000. 750,000 shares vested during the six months ended June 30, 2015 and the remaining 750,000 shares are scheduled to vest quarterly during the remainder of 2015.

In March 2015, the Company issued 1,000,000 shares of stock to a director. The Company also issued 500,000 shares of stock to an officer, and an aggregate of 2,103,774 shares of stock to two consultants, subject to vesting restrictions. The shares were issued pursuant to the 2013 Plan. The shares were valued at \$0.053 or \$191,000. 2,301,888 of the shares vested during the six months ended June 30, 2015 and the remaining 1,301,886 remain unvested as of June 30, 2015, reflecting an increase to deferred compensation of \$69,000.

At June 30, 2015, there were 623,344,835 shares of common stock issued and outstanding. At December 31, 2014, there were 619,741,061 shares issued and 612,741,061 outstanding, reflecting 7,000,000 issued but unvested shares pursuant to the Company's 2011 Equity Incentive Plan (the "2011 Plan") and the 2013 Plan. As of June 30, 2015, an aggregate of 150,000 shares and 17,646,226 shares of common stock were reserved for issuance under the 2011 Plan and the 2013 Plan, respectively, including 6,051,886 shares subject to vesting restrictions under the 2013 Plan, respectively.

### **Deferred Compensation**

During July 2014, the Company issued to three employees an aggregate of 6,000,000 shares of the Company's common stock, subject to restrictions, pursuant to the 2013 Plan. Such shares were valued at the fair value of \$774,000 or \$0.129 per share. This compensation is being expensed over the vesting period. As of June 30, 2015, the balance of unvested compensation cost expected to be recognized is \$516,000 (4,000,000 shares valued at \$0.129) and is recorded as a reduction of stockholders' equity. The unvested compensation is expected to be recognized over the weighted average period of approximately 2 years (through July 2017).

In November 2014, the Company issued 1,500,000 shares of stock to a director, subject to restrictions, pursuant to the 2013 Plan. The shares were valued at \$0.094 or \$141,000. 750,000 shares vested during the six months ended June 30, 2015 and the remaining 750,000 shares are scheduled to vest quarterly during the remainder of 2015.

As described under the Common Stock heading above, the Company issued 1,000,000 shares of stock to a director in March 2015. The Company also issued 500,000 shares of stock to an officer, and an aggregate of 2,103,774 shares of stock to two consultants, subject to vesting restrictions. The shares were issued pursuant to the 2013 Plan. The shares were valued at \$0.053 or \$191,000. 2,301,888 of the shares vested during the six months ended June 30, 2015 and the remaining 1,301,886 remain unvested as of June 30, 2015, reflecting an increase to deferred compensation of \$69,000.

As of June 30, 2015, the balance of unvested compensation cost expected to be recognized is \$655,500 and is recorded as a reduction of stockholders' equity. The unvested compensation is expected to be recognized over the weighted average period of approximately 2 years (through July, 2017).

#### **Preferred Stock**

The Company is authorized to issue 10,000,000 shares of preferred stock, \$0.001 par value. No shares of preferred stock were issued and outstanding at June 30, 2015 or December 31, 2014.

#### **Warrants**

At June 30, 2015, the Company had three outstanding warrants to purchase a total of 16,759,259 shares of common stock, including a warrant to purchase 14,259,259 shares at an exercise price of \$0.15 per share, and two warrants to purchase an aggregate of 2,500,000 shares at an exercise price of \$0.08 per share.

During the six months ending June 30, 2015, a warrant to purchase 2,037,037 shares of common stock at an exercise price of \$0.15 per share expired. No warrants expired during the period ending December 31, 2014.

#### **NOTE 3 – Registration Statement on Form S-3**

As previously reported, during September 2014, the Company filed a Registration Statement on Form S-3 with the SEC, which was declared effective by the SEC on December 19, 2014. The Company may offer and sell, from time to time, up to \$100,000,000 of securities, including shares of the Company's common stock and preferred stock, debt securities and warrants, either individually or in units, the terms of which will be described in prospectus supplements filed with the SEC, as applicable. Concurrently with the filing of the Registration Statement, the Company entered into an At The Market Offering Agreement, or sales agreement, with Ascendant Capital Markets, LLC ("Ascendant"), pursuant to which the Company may offer and sell from time to time through Ascendant, acting as sales agent and/or principal, shares of our common stock having an aggregate offering price of up to \$25,000,000. We have agreed to pay Ascendant a commission rate of 3% of the gross sales price per share of any of our shares of common stock sold through Ascendant, as agent, under the sales agreement. The offer and sale of our shares through Ascendant will be registered pursuant to the Registration Statement. As of June 30, 2015, no securities have been sold under the Registration Statement. As of June 30, 2015, the Company was not eligible to use the Registration Statement because the aggregate market value of the Company's outstanding common stock held by non-affiliates of the Company was less than the minimum required by General Instruction I.B.1 of Form S-3 (i.e., \$75 million)

**NOTE 4 – Continuing Operations**

The Company has sustained losses and has negative cash flows from operating activities since its inception. The Company has also had decreasing revenues in recent periods. However, the Company has raised significant equity capital and is currently developing new product lines to increase future revenues. The Company believes it has adequate working capital and cash to fund operations through the remainder of 2015, and has entered into significant revenue contracts that are expected to generate cash flow in the near term.

**NOTE 5 – Loss Per Share**

The following data show the amounts used in computing loss per share and the effect on income and the weighted average number of shares of dilutive potential common stock for the periods ended June 30, 2015 and 2014:

	3 Months Ending		6 Months Ending	
	06-30-15	06-30-14	06-30-15	06-30-14
Loss from continuing Operations available to Common stockholders (numerator)	\$ (440,367)	\$ (1,795,909)	\$ (812,248)	\$ (2,262,815)
Weighted average number of common shares Outstanding used in loss per share during the Period (denominator)	623,344,835	606,743,259	621,990,931	602,814,680

Dilutive loss per share was not presented as the Company had no common equivalent shares for all periods presented that would affect the computation of diluted loss per share or its effect is anti-dilutive.

**NOTE 6 – Joint Venture**

As previously reported in our Form 8-K filed with the SEC on July 6, 2015, we entered into an Operating Agreement and Statement of Work with Arete Innovative Solutions LLC ("Arete"). The Operating Agreement and Statement of Work govern the operations of Arete-Sigma LLC (the "Joint Venture"), a joint venture formed by us and Arete for the purpose of pursuing business opportunities related to AM utilizing our EOS M290 or like machines, including enabling and implementing sales and manufacturing transactions. Under the Operating Agreement and Statement of Work, among other matters reported in our Form 8-K and set forth in the Operating Agreement and Statement of Work, (i) each of Sigma and Arete hold a 50% ownership interest in the Joint Venture, (ii) the Joint Venture will be managed by William F. Herman, President of Arete, subject to certain limitations set forth in the Operating Agreement and the Statement of Work, (iii) for administrative cost reimbursement, the Joint Venture will pay Sigma a specified percentage of the revenues of the Joint Venture for each transaction, subject to change based on data of actual costs of the Joint Venture, and (iv) for operational cost reimbursement, the Joint Venture will pay Arete a specified percentage of the revenues of the Joint Venture for each transaction, subject to change based on data of actual costs of the Joint Venture. Based on the Operating Agreement, the Company holds the non-controlling interest in the Joint Venture. Therefore, the Joint Venture has not been consolidated, but rather is accounted for on the equity method of recording investments.

**NOTE 7 – Subsequent Events**

The Company has evaluated subsequent events from the balance sheet date through the date the financial statements were issued and determined there are no items to disclose.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Throughout this Quarterly Report on Form 10-Q, unless otherwise indicated or the context otherwise requires, the term "B6 Sigma" refers to B6 Sigma, Inc., a Delaware corporation and our wholly-owned, operating company; the terms the "Company," "Sigma," "we," "us" and "our" refer to Sigma Labs, Inc., together with B6 Sigma, Inc. Sigma conducts substantially all of its operations through B6 Sigma.

### Forward-looking statements

*This Quarterly Report, including any documents which may be incorporated by reference into this Report, contains "Forward-Looking Statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of historical fact are "Forward-Looking Statements" for purposes of these provisions, including any projections of revenue or other financial items, any statements of the plans and objectives of management for future operations, any statements concerning proposed new products or services, any statements regarding future economic conditions or performance, and any statements of assumptions underlying any of the foregoing. All Forward-Looking Statements included in this document are made as of the date hereof and are based on information available to us as of such date. We assume no obligation to update any Forward-Looking Statement. In some cases, Forward-Looking Statements can be identified by the use of terminology such as "may," "will," "expects," "plans," "anticipates," "intends," "believes," "estimates," "potential," or "continue," or the negative thereof or other comparable terminology. Although we believe that the expectations reflected in the Forward-Looking Statements contained herein are reasonable, there can be no assurance that such expectations or any of the Forward-Looking Statements will prove to be correct, and actual results could differ materially from those projected or assumed in the Forward-Looking Statements. Future financial condition and results of operations, as well as any Forward-Looking Statements are subject to inherent risks and uncertainties, including any other factors referred to in our press releases and reports filed with the Securities and Exchange Commission ("SEC"). All subsequent Forward-Looking Statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. Additional factors that may have a direct bearing on our operating results are described under the caption "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2014 and elsewhere in this report.*

### Overview of Business

B6 Sigma is a technology company that specializes in the development and commercialization of novel and unique manufacturing and materials technologies. We believe that some of these technologies will fundamentally redefine conventional quality assurance and control practices by embedding quality assurance and process control into the manufacturing process in real time. In addition, the Company anticipates that its core technologies will enable its clientele to combine advanced manufacturing quality assurance and control protocols with novel materials to achieve breakthrough product potential in many industries including aerospace, defense, oil and gas, bio-medical and power generation.

Certain members of our team at B6 Sigma are uniquely qualified scientists and engineers with broad backgrounds in manufacturing and materials technologies. In the past, these members have worked with some of the largest defense contractors in the world, in such varied projects as next-generation manufacturing systems, advanced reactive munitions, nuclear weapons stewardship programs, and naval nuclear reactor programs.

Our current business plan and principal business activities include the continued development of our In-Process Quality Assurance™ (IPQA®) suite of technologies and commercialization of both our IPQA® and materials-related suite of technologies, with our main focus currently on the additive manufacturing ("AM") or 3D Printing ("3DP") industry, and making operational the contract manufacturing business for metal 3DP. Our strategy is to leverage our manufacturing and materials knowledge, experience and capabilities through the following means: (i) identify, develop and commercialize manufacturing and materials technologies designed to improve manufacturing and quality control practices, and create innovative products in a variety of industries; (ii) provide engineering consulting services in respect of our manufacturing and materials technology expertise to third parties that have needs in developing next-generation technologies for materials and manufacturing projects; and (iii) build and provide contract manufacturing for metal 3DP using our recently installed Electro Optical Systems (EOS) GmbH M290 DMLS® (Direct Metal Laser Sintering) ("EOS M290") state-of-the-art metal printer. We are presently engaged in a variety of activities in which we seek to commercialize technologies and products in the following industry sectors:

- Aerospace and defense manufacturing;
- Oil and Gas manufacturing;
- Bio-medical manufacturing; and
- Automotive manufacturing.

We expect to generate revenue primarily by direct sales or licensing our manufacturing and materials technologies to businesses that seek to improve their manufacturing production processes and/or manipulate and improve the most functional characteristics of the materials and other input components used in their business operations. Additionally, we expect to begin to generate revenue from our contract manufacturing activities in metal 3DP. We also expect that our continued development of our "In Process Quality Assurance™" or "IPQA®" technology will enable us to commercialize this technology for the AM metal market in the remainder of 2015 and 2016. We plan to assist our commercialization partners with marketing-related activities for those advanced material-related technologies, including our dental implant biomedical prosthetics technology, for which we seek possible commercialization in the future. We presently make no sales of our technologies, except for limited sales of our PrintRite3D® technologies. Since its inception, B6 Sigma has generated revenue primarily from engineering consulting services it provides to third parties.

Our board of directors, management and business advisors comprise scientists and business professionals with extensive experience in the energy and advanced manufacturing and materials technology markets, as well as business operations. These individuals collectively possess over 100 years of experience working in the advanced manufacturing, materials technology and commercial industry space. As such, we believe we possess the resident expertise to provide engineering consulting services to other companies regarding their manufacturing operations, or to companies seeking to improve the design of their products by using alternative next-generation materials or improving certain characteristics of the original design through the use of 3DP, on a fee for services basis. Accordingly, in addition to our primary business focus, we intend to generate revenue by providing such engineering consulting services to businesses seeking the same. Such consulting services may not necessarily involve deployment of our own technologies and may be limited to consulting with respect to the development, exploitation or improvement of the client's own technology.

Additionally, our President and Chief Executive Officer has worked at or with the United States Department of Energy ("DOE") national laboratories (including the Knolls Atomic Power Laboratory, Bettis Atomic Power Laboratory, Los Alamos National Laboratory and Sandia National Laboratory) and the Edison Welding Institute ("EWI") over the last 30 years. Due to his work with the DOE, our President and Chief Executive Officer has developed extensive relationships with the DOE and its network of national laboratories. Accordingly, we expect to leverage these relationships in connection with licensing and developing technologies created at such national laboratories for commercialization in the private sector.

#### **Corporate Information**

Our principal executive offices are located at 3900 Paseo del Sol, Santa Fe, New Mexico 87507, and our current telephone number at that address is (505) 438-2576. Our website address is [www.sigmalabsinc.com](http://www.sigmalabsinc.com). The Company's annual reports, quarterly reports, current reports on Form 8-K and amendments to such reports filed or furnished pursuant to section 13(a) or 15(d) of the Exchange Act, and other information related to the Company, are available, free of charge, on that website as soon as we electronically file those documents with, or otherwise furnish them to, the SEC. The Company's website and the information contained therein, or connected thereto, are not and are not intended to be incorporated into this Quarterly Report on Form 10-Q.

We incorporated as Messidor Limited in Nevada on December 23, 1985 and changed our name to Framewaves Inc. in 2001. On September 27, 2010, we changed our name from Framewaves Inc. to Sigma Labs, Inc.

#### **Recent Developments (in reverse chronological order)**

##### **Joint Venture with Arete Innovative Solutions**

As previously reported in our Form 8-K filed with the SEC on July 6, 2015, we entered into an Operating Agreement and Statement of Work with Arete Innovative Solutions LLC ("Arete"). The Operating Agreement and Statement of Work govern the operations of Arete-Sigma LLC (the "Joint Venture"), a joint venture formed by us and Arete for the purpose of pursuing business opportunities related to AM utilizing our EOS M290 or like machines, including enabling and implementing sales and manufacturing transactions. Under the Operating Agreement, each of Sigma and Arete hold a 50% ownership interest in the Joint Venture. The Joint Venture will offer a full suite of services from design through prototyping and manufacturing of high precision metal components. As of the date of this Quarterly Report, no revenues have been generated in connection with the Joint Venture.

##### **Sigma Gave Joint Presentation at RAPID 2015**

On June 1, 2015 the Company announced that on May 20, 2015, Mark J. Cola, our President and Chief Executive Officer, jointly presented with Honeywell International, Inc. at the RAPID 2015 Conference in Long Beach, California.

##### **Sigma PrintRite3D® System Sale**

On May 4, 2015, the Company announced that Honeywell has entered into a contract with the Company to acquire our PrintRite3D® system. As part of the award, we have delivered and installed our PrintRite3D® SENSORPAK™ hardware and INSPECT™ software – including one license and a year of maintenance – for Honeywell to test within its AM development facility in Phoenix; the purchase order also includes our first contract for our DEFORM™ software, which will be provided when ready for release. We expect that our DEFORM™ software will be commercially available in October 2015.

##### **Sigma Launched 3D Metal Printing Facility**

On April 14, 2015, the Company held an open house for our recently installed EOS M290. Approximately 60 individuals (from industry and government alike) attended the event.

##### **Sigma Joined America Makes.**

On April 1, 2015, the Company announced that we joined America Makes which is the premier center for the National Additive Manufacturing Innovation Institute (NAMII) based in Youngstown, Ohio. The Company expects that joining NAMII will facilitate broader demonstration of the Company's unique capabilities and help move the industry forward. Further, the Company believes that it was appropriate to take this step to further advance our presence in the 3D printing space, as we continue to collaborate with leading companies and organizations in the field.

#### **Critical Accounting Policies**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported assets, liabilities, sales and expenses in the accompanying financial statements. Critical accounting policies are those that require the most subjective and complex judgments, often employing the use of estimates about the effect of matters that are inherently uncertain. Such critical accounting policies, including the assumptions and judgments underlying them, are disclosed in Note 1 to the Consolidated Financial Statements included in this Quarterly Report. However, we do not believe that there are any alternative methods of accounting for our operations that would have a material effect on our financial statements.

## Results of Operations

We expect to generate revenue primarily by direct sales or licensing our manufacturing and materials technologies to businesses that seek to improve their manufacturing production processes and/or manipulate and improve the most functional characteristics of the materials and other input components used in their business operations. However, we presently make no sales of these technologies, except for limited sales of our PrintRite3D® technologies. Our ability to generate revenues in the future will depend on our ability to commercialize and market our technologies. During the three and six months ended June 30, 2015, we recognized revenue of \$196,263 and \$381,949, respectively, as compared to \$114,813 and \$229,642 in revenue that we generated during the same periods in 2014. The increase in revenue was primarily due to our ongoing work under additional contracts as compared to the prior year. The revenue we generated during the six months ended June 30, 2015 was primarily generated from engineering consulting services we provided to third parties during this period. We expect that our revenue will increase in future periods as we commence our engineering consulting efforts for the GE Aviation lead NAMII contract, continue to provide our services under our contracts with Honeywell Aerospace and EWI, and as we seek to commercialize our PrintRite3D®-related technologies, and obtain contract manufacturing orders in connection with our EOS M290 and our new Joint Venture. Our costs of service revenue for the three and six months ended June 30, 2015 were \$88,262 and \$113,129, respectively, as compared to \$84,739 and \$140,628 for the same periods in 2014.

Our general and administrative expenses for the three and six months ended June 30, 2015 were \$326,075 and \$593,778, respectively, as compared to \$135,651 and \$315,047 for the same periods in 2014. Our payroll expenses for the three and six months ended June 30, 2015 were \$74,474 and \$147,134, respectively, as compared to \$50,754 and \$302,699 for the same periods in 2014. Our expenses relating to non-cash stock compensation for the three and six months ended June 30, 2015 were \$134,250 and \$257,000, respectively, as compared to \$326,200 and \$351,400 for the same periods in 2014. Our research and development expenses for the three and six months ended June 30, 2015 were \$13,881 and \$84,028, respectively, as compared to \$30,985 and \$101,132 for the same periods in 2014.

General and administrative expenses principally include operating expenses and outside service fees, the largest component of which consists of services in connection with our obligations as an SEC reporting company, in addition to other legal and accounting fees. The net increase in general and administrative expenses for the three and six months ended June 30, 2015 as compared to the same periods in 2014 is principally the result of increased investor relations expenditures and consultant services provided to us due to an increase in our overall business activities. The net decrease in payroll expenses for the three and six months ended June 30, 2015 as compared to the same period in 2014 is due to the performance bonus paid by us in the first quarter of 2014 in the amount of \$175,000 to our President and Chief Executive Officer, partially offset by our hiring of a total of three employees in June and July 2014. The net decrease in research and development expenses for the three and six months ended June 30, 2015 as compared to the same periods in 2014 is principally the result of a shift in our activities, from research and development to an operating company.

As a result of our increased operating activities, including as we seek further commercialization of our IPQA®-enabled PrintRite3D® technologies, and our increased marketing and sales efforts associated with such technologies and our contract manufacturing activities, our general and administrative expenses in the future are expected to continue to increase. Similarly, we anticipate that our payroll and non-cash compensation expenses will increase as we expect to engage more employees and consultants to support our efforts to grow our business, including hiring a Vice President of Business Development.

Our net loss for the three and six months ended June 30, 2015 decreased significantly over the prior year and totaled \$440,367 and \$812,248, respectively, as compared to \$1,795,909 and \$2,262,815 for the same periods in 2014. The most significant factor in the decrease in our net loss was the result of a nonrecurring 2014 expense of \$1,283,333 relating to the extension of the term of a warrant.

## Liquidity and Capital Resources

As of June 30, 2015, we had \$2,224,318 in cash and had a working capital surplus of \$2,342,090, as compared with \$2,962,069 in cash and a working capital surplus of \$2,811,606 as of December 31, 2014.

We plan to generate revenue primarily by marketing and selling our manufacturing and materials technologies. However, for the period from our inception through June 30, 2015, we generated revenue and financed our operations primarily from engineering consulting services we provided during this period and through private sales of Sigma common stock. During the remainder of 2015, we expect to further ramp up our operations and our commercialization and marketing efforts, which will increase the amount of cash we will use in our operations.

We expect that our continued development of our IPQA® technology (PrintRite3D®) will enable us to commercialize this technology for the AM metal market in the remainder of 2015 and 2016. However, until commercialization of our technologies, we plan to continue funding our development activities and operating expenses by providing consulting services concerning our areas of expertise (materials and manufacturing quality assurance technologies) and contract manufacturing for additive manufacturing, and through the use of proceeds from sales of our securities.

As of August 7, 2015, B6 Sigma has three active engineering consulting contracts with respect to which we expect to perform and generate up to approximately \$450,000 in revenue during the remainder of 2015, subject to the achievement by us of certain performance milestones. The commencement of our engineering consulting services under our GE Aviation lead America Makes contract was delayed until early August 2015, which resulted in the expected delay of a portion of the revenue under such contract until the first quarter of 2016.

Some of our consulting contracts, including the contracts from Honeywell Aerospace, GE Aviation and EWI, are fixed price contracts, for which we will receive a specified fee regardless of our cost to perform under such contract. In connection with entering into these fixed-contract consulting arrangements, we are required to estimate our costs of performance. To actually earn a profit on these contracts, we must accurately estimate costs involved and assess the probability of meeting the specified objectives, realizing the expected units of work or completing individual transactions, within the contracted time period. Accordingly, if we under-estimate the cost to complete a contract, we remain obligated to complete the work based on our initial cost estimate, which would reduce the amount of profit actually earned under the contract.

We have no credit lines or facilities as of August 7, 2015, nor have we ever had a credit facility since our inception. We will continue to evaluate potential future sources of capital, as we do not currently have commitments from any third parties to provide us with additional capital.

Based on the funds we have as of August 7, 2015, and the proceeds we expect to receive under our engineering consulting agreements and from offerings of the Company's common stock, we believe that we will have sufficient funds to pay our administrative and other operating expenses through 2016. Until we are able to generate significant revenues and royalties from sales or licensing of our technologies, our ability to continue to fund our liquidity and working capital needs will be dependent upon revenues from existing and future consulting contracts, possible strategic partnerships, contract manufacturing orders in connection with our EOS M290, orders in connection with our new Joint Venture, and proceeds received from sales of our securities. Accordingly, we may have to obtain additional capital from the sale of additional securities or by borrowing funds from lenders to fulfill our business plans. If we issue additional equity or debt securities, stockholders may experience additional dilution or the new equity securities may have rights, preferences or privileges senior to those of existing holders of our common stock. There is no assurance that we will be successful in obtaining additional funding. If we fail to obtain sufficient funding when needed, we may be forced to delay, scale back or eliminate all or a portion of our commercialization efforts.

Inflation and changing prices have had no effect on our continuing operations over our two most recent fiscal years.

We have no off-balance sheet arrangements as defined in Item 303 of Regulation S-K.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

Not applicable.

**ITEM 4. CONTROLS AND PROCEDURES.**

Our management, including our President and Chief Executive Officer, and Principal Financial and Accounting Officer, evaluated the effectiveness of our “disclosure controls and procedures” (as defined in the Exchange Act Rules 13a-15(e) or 15d-15(e)) as of the end of the period covered by this quarterly report, as required by paragraph (b) of Exchange Act Rules 13a-15 or 15d-15.

Based on that evaluation, we have concluded that as of the end of the period covered by this quarterly report, our disclosure controls and procedures are effective at a reasonable assurance level in ensuring that information required to be disclosed by us in our reports is recorded, processed, summarized and reported within the required time periods. The foregoing conclusion is based, in part, on the fact that we are a small public company in the early stage of our business, with limited revenue and employees. Based upon our evaluation, we also concluded that there was no change in our internal control over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**PART II**

**ITEM 1. LEGAL PROCEEDINGS.**

Not applicable.

**ITEM 1A. RISK FACTORS.**

Not applicable.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.**

Not applicable.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES.**

Not applicable.

**ITEM 4. MINE SAFETY DISCLOSURES.**

Not applicable.

**ITEM 5. OTHER INFORMATION.**

Not applicable.

**ITEM 6. EXHIBITS.**

- 10.1 Operating Agreement of Arete-Sigma, LLC, dated June 29, 2015, among Arete Innovative Solutions, LLC, Sigma Labs, Inc., Arete-Sigma, LLC and William F. Herman.\*+
- 10.2 Statement of Work, dated June 29, 2015, among Arete-Sigma, LLC, Arete Innovative Solutions, LLC, and Sigma Labs, Inc., under the Operating Agreement of Arete-Sigma, LLC, dated June 29, 2015, among Arete Innovative Solutions, LLC, Sigma Labs, Inc., Arete-Sigma, LLC and William F. Herman.\*+
- 31.1 Rule 13a-14(a) Certification of Principal Executive Officer, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.\*
- 31.2 Rule 13a-14(a) Certification of Principal Financial Officer, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.\*
- 32.1 Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.\*
- 101.INS++ XBRL Instance Document
- 101.SCH++ XBRL Schema Document
- 101.CAL++ XBRL Calculation Linkbase Document
- 101.DEF++ XBRL Definition Linkbase Document
- 101.LAB++ XBRL Labels Linkbase Document
- 101.PRE++ XBRL Presentation Linkbase Document

\* Filed herewith.

+ This exhibit was filed separately with the Securities and Exchange Commission pursuant to an application for confidential treatment. The confidential portions of the exhibit have been omitted and have been marked by an asterisk

++ Pursuant to applicable securities laws and regulations, the Registrant is deemed to have complied with the reporting obligation relating to the submission of interactive data files in such exhibits and is not subject to liability under any anti-fraud provisions of the federal securities laws as long as the Registrant has made a good faith attempt to comply with the submission requirements and promptly amends the interactive data files after becoming aware that the interactive data files fails to comply with the submission requirements. These interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under these sections.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SIGMA LABS, INC.

August 7, 2015

By: /s/ Mark J. Cola  
Mark J. Cola  
President and Chief Executive Officer (Principal Executive Officer)

August 7, 2015

By: /s/ Monica Yaple  
Monica Yaple  
Treasurer (Principal Financial Officer)

Text Marked By [\* \* \*] Has Been Omitted Pursuant To A Request For Confidential Treatment And Was Filed Separately With The Securities And Exchange Commission.

Arete-Sigma, LLC

Operating Agreement

The persons and entities shown on the signature pages to this Operating Agreement agree:

1. **Definitions:** The following terms used in this Operating Agreement shall have the following meanings:

1.1 "**Act**" shall mean the New Mexico Limited Liability Company Act at 53-19-1 to 53-19-74, N.M.S.A., 1978 Comp., as amended.

1.2 "**Affiliate**" shall mean, with respect to any person (i.e., any individual, corporation, partnership, joint venture, limited liability company, trust, association or other entity), any other person who, directly or indirectly (including through one or more intermediaries), controls, is controlled by, or is under common control with, such person. For purposes of this definition, "control," when used with respect to any specified person, shall mean the power, direct or indirect, to direct or cause the direction of the management and policies of such person, whether through ownership of voting securities or partnership or other ownership interests, by contract or otherwise; and the terms "controlling" and "controlled" shall have correlative meanings.

1.3 "**Bankruptcy**" shall mean, with respect to any Member, (a) the filing of a voluntary petition in bankruptcy, (b) the adjudication as a bankrupt or insolvent, (c) the filing of any petition or answer seeking any composition, readjustment, liquidation, dissolution, or similar relief under the present or any future Federal bankruptcy act or other statute or law relative to bankruptcy, insolvency, or other relief for debtors, (d) seeking, consenting to, or acquiescing in the appointment of any trustee, receiver, conservator, or liquidator of the Member or of all or a substantial part of the Member's properties or Interest, or (e) making of an assignment for the benefit of creditors or taking of any similar action for the protection or benefit of creditors.

1.4 "**Capital Contributions**" shall mean any contribution to the capital of the Company in cash or property by a Member whenever made and shall include the Members' initial capital contributions and any additional contributions.

1.5 "**Change in Control**" of a Member shall mean (i) any merger, consolidation, recapitalization, sale of equity securities or any similar transaction, whether a single transaction or a series of transactions, as a result of which any person or any group of persons (within the meaning of § 13(d)(3) of the Securities Exchange Act of 1934, as amended) (other than any persons who are executive officers, directors or managers of such Member as of the date hereof) (a) owns directly or indirectly the power to vote a majority of the ownership interests of such Member or (b) directly or indirectly has the right to receive either more than 50% of the profit of such Member or more than 50% of the assets of such Member upon liquidation of such Member, or (ii) the sale of all or substantially all of the assets of such Member.

1.6 “**Code**” shall mean the Internal Revenue Code of 1986 and regulations promulgated thereunder or corresponding provisions of subsequent superseding federal revenue laws or regulations.

1.7 “**Company**” shall refer to Arete-Sigma, LLC, a New Mexico limited liability company.

1.8 “**Dissolution**” shall mean the liquidation of a corporate or limited liability company Member or the filing by a corporate or limited liability company Member of a certificate of dissolution, a “Statement of Intent to Dissolve”, or the equivalent, with the appropriate governmental body, or the revocation of its charter (and the lapse of ninety days after notice to the corporation of a revocation of its charter, without a reinstatement of its charter during that ninety days), whichever happens first.

1.9 “**Distributable Cash**” shall mean the excess of all cash receipts of the Company (including capital contributions) over all cash disbursements of the Company, less any reserves established by the Members upon the unanimous consent of the Members and less any reserves required by law.

1.10 “**Initial Member**” or “**Initial Members**” shall mean the persons shown on the signature pages to this Operating Agreement.

1.11 “**Interest**” shall mean generally a Member’s combined undivided limited liability company interest and membership interest in the Company composed of the Member’s Capital Account, rights granted by the Act, and rights under this Operating Agreement.

1.12 “**Manager**” shall mean the person appointed as Manager by the Members pursuant to the provisions of this Operating Agreement.

1.13 “**Member**” shall mean each of the Initial Members, any additional Member which becomes a Member pursuant to the provisions of this Operating Agreement, and substituted Members which are, as of a given time, a member of the Company, depending on the context in which the term is used.

1.14 “**Net Profits**” or “**Net Losses**” shall mean, for each fiscal year of the Company, the profit or loss of the Company as determined under the applicable Code capital accounting provisions relating to the computation of items of income, gain, deduction and loss for purposes of adjusting the capital accounts of the Members including, without limitation, the provisions of Code Section 704 and regulations promulgated thereunder.

1.15 “**Operating Agreement**” shall mean this Operating Agreement as originally executed and as amended from time to time.

1.16 “**Units**” shall mean the capital units issued by the Company to its Members in exchange for Capital Contributions or services rendered to the Company and which represent the Member’s Interest in the Company, the holders of which shall have the right to vote on matters submitted to the Members for a vote.

**2. Formation, Purpose, Name, Term and Principal Office.** Pursuant to the Act and effective as of June, 29, 2015 the Members hereby form a limited liability company named “Arete-Sigma, LLC” to pursue business opportunities related to additive manufacturing utilizing Sigma Labs, Inc.'s Electro Optical Systems GmbH M290 DMLS® (Direct Metal Laser Sintering) metal printer or like machines, and to engage in any other business determined by the Members. Articles of Organization relating to the formation of Company were filed on June 29, 2015. The Articles of Organization are hereby ratified, approved and adopted by the Members.

2.1 Term. The Company will continue under the terms of this Operating Agreement until it is dissolved in accordance with Section 11 below or in accordance with the Act. This Operating Agreement shall continue to apply to any Statement of Work in effect beyond the expiration of this Operating Agreement.

2.2 Name. The Company will continue under the name "Arete-Sigma, LLC", but may do business under other names determined by the Members.

2.3 Principal Office. The principal office of the Company is 3900 Paseo del Sol, Santa Fe, NM 87507; or such other place as the Members may from time to time determine. The agent for service of process on the Company will be Mark Cola whose address is 3900 Paseo del Sol, Santa Fe, NM 87507.

2.4 Other Ventures. Any Member or Affiliate of any Member may engage in or possess an interest in other business ventures of any kind that do not compete with the business of the Company. Neither the Company nor the Members will have any rights by virtue of this Operating Agreement in such other business ventures. The Members do not anticipate competing directly with the Company, but nothing in this Operating Agreement shall prohibit any Member from engaging in any business, even if competitive with the Company, provided the intent to engage in business that is directly competitive with actual business of the Company at the time is disclosed to the other Member.

3. Contributions to the Company, Capital Accounts, and Capital Units. The initial capital contribution of each Initial Member is shown on the signature pages attached to this Operating Agreement.

3.1 Capital Units. Each Member's Interest in the capital of the Company shall be represented by Units of membership interest. An unlimited number of Units are hereby authorized. The Initial Members shall receive the number and type of Units set forth on the signature pages attached to this Operating Agreement.

3.2 Capital Account. A separate Capital Account will be maintained for each Member as required by the Code, including without limitation, the provisions of Section 704(b)(2) of the Code (and such other accounts as may be necessary or desirable to comply with the requirements of applicable laws and regulations) which will be increased by (a) the Member's Capital Contributions and (b) the amount of Net Profits allocated to it pursuant to Section 4 and which will be decreased by (c) the amount of Net Losses allocated to it pursuant to Section 4 and (d) all amounts distributed to it as a capital account distribution pursuant to this Operating Agreement, and as otherwise required by the Code. No Member may withdraw any part of the Member's Capital Account until after dissolution and liquidation of the Company, but the Members may make Capital Account distributions. A Member may not demand and receive property other than cash in return for the Member's Capital Contributions upon liquidation; any such return will be made solely from Company assets. No interest will be paid or charged on any Capital Account balance.

3.3 Membership Certificates. Membership Certificates representing Interests in the Company will be in the form determined by the Members, if the Members decide to issue Membership Certificates. Membership Certificates shall be consecutively numbered or otherwise identified. The name and address of the person to whom the Membership Certificate is issued, and the date of original issue or the date of transfer or assignment and from whom such interests are transferred or assigned, will be entered in the Certificate Register of the Company. In the event of a lost, destroyed or mutilated Membership Certificate, a replacement certificate may be issued upon such terms and indemnity to the Company as the Members may prescribe. The persons or entities in whose name Interests stand in the Certificate Register will be the Members and will be deemed by the Company to be the owners of the Interests for all purposes whether or not the Company has other knowledge. Interests will be issued, transferred or assigned only on the Certificate Register of the Company.

**4. Net Profit and Net Loss Allocations.** The Net Profits and Net Losses of the Company will be allocated among the Members in proportion to the Units of the respective Members on the record date of such allocations. A Member's share of Net Profits and Net Losses for the Company's fiscal year will be credited or charged to the Capital Account of the Member at the end of the Company's fiscal year, unless this Operating Agreement requires a different time. Any credit available for income tax purposes shall be allocated among the Members in like manner. No Member has any priority over any other Member as to compensation by way of income. For income tax purposes, the tax basis of some of the property contributed by each Member may be different than the value at which the property was accepted by the Company at the time of its contribution. Nevertheless, the general allocation rules provided in Section 704 of the Code shall apply. Certain assets contributed to the Company may carry various tax attributes, which, when realized for tax purposes, should be allocated to the Member which contributed such assets. Accordingly, depreciation or gain or loss with respect to assets contributed by the Member shall be allocated to the contributing Member.

**5. Distributions.** Upon unanimous consent of the Members, the Members will determine the Distributable Cash available for distribution to Members and will make non-liquidating distributions of the available cash of the Company to the Members in proportion to the Member's Units at the time of the distribution. Distributions of capital to each Member will be charged to the Capital Account of the Member when disbursed to the Member. Any debit balance in a Member's Capital Account in excess of the Member's total Capital Contributions will be treated as a non-recourse loan from the Company to the Member payable from future liquidating or non-liquidating distributions to the Member or from future capital contributions by the Member. No Member shall be required to restore to the Company any funds properly distributed to such Member pursuant to any of the provisions of this Operating Agreement, except as may be required by the Act. All liquidating distributions made in connection with the sale or exchange of all or substantially all of the Company's assets or otherwise made in connection with the liquidation of the Company shall be made to the Members in accordance with their relative capital account balances at the time of distribution until full repayment of such capital accounts has occurred, and then any remaining distributions shall be in proportion to the Members' Units at the time of distribution.

**6. Rights and Obligations of Members:**

**6.1 Limitation of Liability.** Each Member's liability shall be limited as set forth in the Act and other applicable law. A Member will not personally be liable for the debts, liabilities, obligations, or losses of the Company beyond the Member's respective Capital Contributions solely by reason of being a Member.

6.2 Right of Inspection. The Company will maintain and preserve, during the term of the Company, and for five (5) years thereafter, all accounts, books, and other relevant Company documents, including but not limited to all records and information required by the Act. Upon reasonable advance request, each Member will have the right, during ordinary business hours, to inspect and copy Company profit and loss statements and balance sheets at the Member's expense. Initial Members shall each have Internet access to monitor and inspect the Company's financial status as manifested in its accounting software.

6.3 Additional Members. Notwithstanding anything to the contrary herein, the Company may only issue or distribute additional Interests or Units, or admit additional Members, upon the unanimous consent of the Members. The Members anticipate that, prior to the Company accepting any new Members or issuing any additional Interests or Units, this Operating Agreement will be amended such that the consent of each of the two original Members will be necessary and sufficient for Company actions, for example by amending provisions requiring unanimous consent to require only a supermajority vote (such that consent of both original Members will be sufficient to carry the vote), and by amending provisions requiring a majority vote to require a super majority vote (such that consent of both original Members will be necessary to carry the vote).

6.4 Interested Parties. No transaction of the Company will be affected because a Member of the Company is interested in the transaction; provided that such Member disclosed its interest in the transaction to the other Member prior to entering into such transaction.

6.5 Indemnification. The Company hereby agrees to hold each Member harmless and indemnify each Member from and against, and to reimburse the Member for, any and all judgments, penalties, fines, liabilities, amounts paid in settlement, costs, and expenses, including attorneys' fees, incurred directly or indirectly as a result of or in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, to which the Member is, was, or at any time becomes a party, or is threatened to be made a party, or a result of or in connection with any appeal therein, by reason of the fact that the Member is or was at any time a member, director, officer, employee or agent of the Company; provided, however, that (i) indemnification shall be paid pursuant to this Section if and only if the Member acted in good faith and in a manner reasonably believed by the Member to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the Member's conduct was unlawful; and (ii) no indemnification shall be payable pursuant to this Section if a court having jurisdiction in the matter shall determine that such indemnification is not lawful.

## **7. Meetings of Members.**

7.1 Meetings. Meetings of Members, for any purpose, may be called by any Member. Regular Monthly Operations Review Meetings of the Members shall be called by the Manager.

7.2 Place of Meetings. The person or persons calling the meeting may designate any place, either within or outside the State of New Mexico, as the place of meeting for any meeting of the Members. If no designation is made, the place of meeting will be the principal executive office of the Company in the State of New Mexico.

7.3 Notice of Meetings. Written notice stating the place, day and hour of the meeting and the purpose or purposes for which the meeting is called shall be delivered not less than five nor more than fifty days before the date of the meeting, by mail, electronic transmission or personally, by or at the direction of the person or persons calling the meeting, to each Member entitled to vote at such meeting. If mailed or faxed, the notice will be deemed to be delivered as provided in Section 16.1 of this Operating Agreement.

7.4 Record Date. For the purpose of determining members entitled to notice of or to vote at any meeting of Members, or Members entitled to receive payment of any distribution, or Members receiving tax allocations, or in order to make a determination of Members for any other purpose, the date on which notice of the meeting is mailed or the date on which the allocation is made or the date on which the resolution declaring such distribution is adopted, as the case may be, will be the record date for such determination of Members.

7.5 Quorum and Manner of Acting. Members holding at least a majority of all Units in the Company's capital, represented in person or by proxy, will constitute a quorum at any meeting of Members. If a quorum is present, the majority vote of Members present and entitled to vote on the subject matter will be the act of the Members, unless the vote of a greater or lesser proportion or number is otherwise required by the Act, by the Company's Articles of Organization, or by this Operating Agreement.

7.6 Proxies. At all meetings of Members, a Member may vote in person or by proxy executed in writing by the Member or by a duly authorized attorney-in-fact. Such proxy will be filed with the Company before or at the time of the meeting. No proxy will be valid after eleven months from the date of its execution, unless otherwise provided in the proxy.

7.7 Actions by Members Without a Meeting. Action required or permitted to be taken at a meeting of Members may be taken without a meeting if the action is evidenced by one or more written consents describing the action taken, signed by each Member entitled to vote and representing sufficient votes to take the action if all Members were present and voting, and delivered to the Company for inclusion in the minutes or for filing with the Company's records.

7.8 Waiver of Notice. When any notice is required to be given to any Member, a waiver thereof in writing signed by the person entitled to such notice, whether before, at, or after the time stated therein, will be equivalent to the giving of such notice.

7.9 Telephonic Meeting. Members of the Company may participate in any meeting of the Members by means of conference telephone or similar communication if all persons participating in such meeting can hear one another for the entire discussion of the matters to be voted upon. Participation in a meeting pursuant to this sub-Section will constitute presence at such meeting.

**8. Transferability of Interests, Right of First Refusal, and Substituted Members.** A Member may voluntarily or involuntarily assign or transfer the Member's Interest in the Company, subject to the following additional terms and conditions.

**8.1 Voluntary Transfer by a Member With Consent of the Other Member.** A Member may voluntarily transfer or assign its Interest to a corporation, partnership, or limited liability company controlled by the Member and the transferee corporation, partnership, or limited liability company will become a Substituted Member with the consent of the other Member. No Interest may be pledged or encumbered by a Member.

**8.2 Involuntary Events and Transfer or Assignment of Interests.** Upon the Bankruptcy, Change in Control, death or Dissolution of a Member, or if an Interest is transferred, assigned, or encumbered in violation of this Operating Agreement, the Company will be dissolved, terminated and liquidated unless the Company or the remaining Member purchases the Interest of the affected, transferring, assigning, or encumbering Member (hereinafter called the "**Withdrawing Member**"). Upon such election to purchase, the Company will purchase from the Withdrawing Member, and from any trustee, receiver, or other legal representative of the Withdrawing Member, the entire Interest of the Withdrawing Member. If the Company declines to purchase the Interest, the remaining Member may purchase the Interest under the same terms and conditions as if the Company had elected to purchase. Each Member irrevocably consents to the sale of the Member's Interest if the Company or the other Member elects to purchase under this Section.

8.2.2 The purchase price for the Interest of a Withdrawing Member shall be its "Value" determined as follows. The "**Value**" of the Interest is equal to the balance in the Withdrawing Member's Capital Account on the last day of the month immediately preceding the event triggering the purchase of the Interest (the "**Withdrawal Date**") determined by the Company's accountants then servicing the Company's books.

8.2.3 In determining the Value of the Interest on a Withdrawal Date, the Capital Account of the Withdrawing Member will be posted as though the Company's fiscal year had ended on the Withdrawal Date. In establishing the balances in the Withdrawing Member's Capital Account, no allowance will be made for goodwill or other intangibles except as reflected on the Company's books prior to the Withdrawal Date. When the Value has been established, the Company will promptly notify the Withdrawing Member of the Value within five business days.

8.2.4 The transactions for purchase of the Interest of a Withdrawing Member will be closed within 90 days after the Withdrawal Date. At closing, the buyer will pay the purchase price in cash or, at the buyer's option, by executing and delivering a negotiable promissory note for the amount of the purchase price, accelerable on default, prepayable without penalty, payable in ten equal semi-annual installments and bearing interest at an annual rate equal to the Prime Rate as announced in the Wall Street Journal on the date of Closing, plus 1%. The first semi-annual installment will be due six months after the withdrawal date. The Withdrawing Member will assign to the buyer the Interest purchased. The Withdrawing Member will have a security interest in the transferred Interest to secure payment of the purchase price.

8.3 Substituted Members. If a voluntary transfer or assignment (under Section 8.1) is made or upon any other permitted transfer or assignment of an Interest, including by operation of law, the transferee or assignee (the “**assignee**”) may become a Substituted Member upon the consent of the other Member. Upon becoming a Substituted Member, such assignee shall have all of the rights and powers of, shall be subject to all of the restrictions applicable to, shall assume the rights and powers of, and shall attain the status of, such assignee’s predecessor Member. If the other Member fails to consent to the substitution of the assignee as a substituted Member within 120 days after the effective date of the transfer or assignment, the assignee who has received an Interest but who is not admitted as a substituted Member shall have no right to participate in the management of the business and affairs of the Company and shall not be entitled to vote but shall only be entitled to receive the distributions and return of capital to which the assigning Member would be entitled with respect to the Interest transferred or assigned as if the Interest had not been transferred or assigned and the assigning Member shall cease to be a Member.

8.4 Additional Documentation. No assignment or transfer of all or any part of the Member’s Interest shall be binding on the Company, however, unless the assignee agrees in writing to be a party to and bound by the terms of this Operating Agreement and until a duplicate original of such assignment or instrument of transfer, duly executed and acknowledged by the assignor or transferor, and such other documentation required by the company have been delivered to the remaining Members and, if required by the remaining Members, upon receipt of an opinion, satisfactory in form and substance to the remaining Members to the effect that such transactions will not violate the Securities Act of 1933 or any other applicable securities laws.

9. Rights and Duties of Managers. The initial Manager of the Company shall be William F. Herman until such time as he resigns or is removed by the Members.

9.1 Management; Power and Authority. Subject to the definitions and procedures in Exhibit A, the terms of all Statements of Work, this Operating Agreement and the Act (collectively, the “**Limitations**”), the Manager will have exclusive control over the business, and the duty, power and authority to do whatever is necessary in conducting the Company’s business. No Member (other than the Manager if the Manager is also a Member) will take part in the management or control of the Company’s business, except as permitted by this Operating Agreement. Subject to the Limitations, the Manager may, in the ordinary course of operation of the Company’s business, without the consent of any Member, and not in limitation of any other provision hereof, manage the property of the Company; engage (subject to the Members’ approval of the amount of compensation to be paid) and terminate consultants; undertake such actions permitted to be taken by the Manager under Statements of Work; and deliver all instruments needed to effectuate any of the foregoing. Neither a Manager’s appointment as Manager under this Operating Agreement nor a Manager’s rights and obligations may be assigned by a Manager without the consent of all Members.

9.2 Compensation; Other Agents. The Manager may employ others to assist in the management of the Company’s business including affiliates of the Manager, as an expense of the Company, on such terms and for such compensation as the Members may approve. The Manager will devote such time to the Company as is reasonably necessary and may receive compensation for the Company for Manager’s services in amounts determined by the Members. The Manager will be reimbursed by the Company upon proper documentation for all reasonable and proper disbursements made by the Manager to carry on the Company’s business upon the approval of the Members.

9.3 Limitation on Liability. The Manager shall not be liable, responsible, or accountable in damages or otherwise to any of the Members for any act or omission performed or omitted by the Manager in good faith pursuant to the authority granted to the Manager by this Operating Agreement, provided, however, that the foregoing shall not relieve the Manager of liability for fraud, bad faith, and gross negligence.

9.4 Indemnification. The Company shall indemnify and save harmless agents of the Company (including the Manager when acting as agent of the Company) from any loss or damage incurred by reason of any act or omission performed or omitted by such agent in good faith pursuant to proper authority on behalf of the Company or in furtherance of the interests of the Company; provided, however, that the foregoing shall not relieve any such agent of liability for its fraud, bad faith, or gross negligence.

9.5 Resignation. A Manager of the Company may resign at any time by giving written notice to the Members of the Company. The resignation of any Manager shall take effect upon receipt of notice thereof or at such later time as shall be specified in such notice; and the acceptance of such resignation shall not be necessary to make it effective.

9.6 Removal. At a meeting called expressly for that purpose, a Manager may be removed at any time (a) for Cause by the Members, or (b) upon the Bankruptcy, Change in Control, death, or Dissolution of the Manager. "Cause" means fraud, deceit, willful misconduct, or a wrongful taking by the Manager as proved by a nonappealable court order, judgment, decree or decision.

9.7 Vacancies. Any vacancy occurring for any reason as Manager shall be filled upon a vote of the Members.

10. Representations of the Members. Each Member hereby represents and warrants that:

10.1 It is a sophisticated investor and experienced in business affairs;

10.2 It is acquiring its Interest in the Company for its own account for investment and not with a view to, or for resale in connection with, any distribution or public offering thereof within the meaning of the Securities Act of 1933, as amended or other applicable securities laws or rules in a transaction totally within the State of New Mexico;

10.3 It understands that, in addition to the restrictions contained in this Operating Agreement, its Interest may only be disposed of pursuant to an effective registration statement filed under the Securities Act of 1933 and applicable state securities acts or pursuant to an exemption from the registration requirements of the Securities Act of 1933 and applicable state securities acts; that the Company has neither filed such registration statement nor agreed to do so nor contemplates doing so in the future; that in the absence of such a registration statement or such an exemption, it may be required to hold its Interest indefinitely and may be unable to liquidate it in case of emergency;

10.4 It is able financially to comply with its obligations hereunder;

10.5 It understands that the Internal Revenue Service may disallow some or all of the deductions to be claimed by the Company or by it, that the Company has no financial and operating history, that the Interests are speculative investments which involve a high degree of risk of loss, and that no governmental agency has made any finding or determination as to the fairness for investment, or any recommendation or endorsement of the Interests;

10.6 It is aware that a Member and its Affiliates, including affiliated persons or organizations, now and in the future may be engaged in businesses which are competitive with that of the Company (except as may be provided in any future agreements), and it agrees and consents to such activities, even though there are conflicts of interest inherent therein;

10.7 It has adequate means of providing for its current needs and possible personal contingencies, and has no need for liquidity of this investment;

10.8 All documents, records and books pertaining to this investment have been made available to its attorney and/or its accountant and itself, and the Member is not relying on any representation or advice of the Company, the Company's counsel or advisors, or any other Member except those expressly made herein; and

10.9 Any intellectual property it licenses to the Company (or to the other Member) pursuant to this Operating Agreement shall be free and clear of third party claims and will not, in any way, infringe upon or violate any trademark, copyright, patent rights, common law rights, or any other rights of any kind of any third party.

11. **Termination and Dissolution.** The Company will be dissolved at any time upon (a) the written request of either of the Initial Members of the Company, Arete Innovative Solutions LLC or Sigma Labs Inc., (b) upon the Bankruptcy or Dissolution of a Member if the remaining Member does not give its written consent to continue the business of the Company within 90 days after the occurrence of such an event pursuant to Section 8.2 of this Operating Agreement, (c) the entry of a decree of judicial dissolution pursuant to Section 53-19-40 of the Act, or (d) the expiration of any period of duration stated in the Company's Articles of Organization. Upon any dissolution of the Company, the business of the Company will be wound up in orderly fashion within a reasonable time, the Capital Accounts will be posted to reflect the results of winding up and liquidation, and the Company's assets will be distributed in accordance with the provisions of the Act. Sigma Labs, Inc. shall act as liquidator to wind up the Company (the "**Liquidator**"), unless the Company is being dissolved pursuant to Section 11(b) based on the Bankruptcy or Dissolution of Sigma Labs, Inc., in which case the Liquidator shall be Arete (Innovative Solutions, LLC). The Liquidator shall have full power and authority to sell, assign, and encumber any or all of the Company's assets and to wind up and liquidate the affairs of the Company in an orderly and business-like manner. The Liquidator shall cause the articles of dissolution to be filed with the New Mexico Secretary of State in accordance with the provisions of the Act and shall take such other actions as may be necessary to terminate the Company. Each Member shall look solely to the assets of the Company for all distributions with respect to the Company, such Member's Capital Account, and such Member's share of Net Profit, Net Loss and other items of income, gain, loss and deduction, and shall have no recourse therefor (upon dissolution or otherwise) against the Liquidator or any other Member.

12. **License Grant.** Each Member (in the case of Sigma Labs, Inc., Sigma Labs, Inc. or its wholly-owned subsidiary, B6 Sigma, Inc., as applicable) hereby grants to the other Member a limited, royalty-free, nonexclusive, non-transferable license (that shall automatically terminate upon the termination of this Operating Agreement or dissolution of the Company), under any rights owned by such Member, to use such Member's intellectual property solely as instructed in writing by such Member and only to the extent necessary for the other Member to perform its obligations under this Operating Agreement or any Statement of Work, subject further to the terms and conditions of this Operating Agreement, and as more fully set forth in Exhibit B hereto. In no way expanding the foregoing license, said license does not permit either Member to (and each Member hereby promises not to without the explicit prior written and signed consent of the other Member) make use of any intellectual property rights of the other Member either (a) for the benefit of any party other than the Company (and the Members as such benefit arises from any Statement of Work or from their ownership of the Company), or (b) other than as instructed in writing by such Member.

The Company and each Member acknowledge and agree that all materials, content, deliverables or intellectual or other property of any kind, whether registered or unregistered, whether copyrightable or not, whether patentable or not, that is licensed pursuant to this Operating Agreement (the "Intellectual Property") and any materials, content, deliverables or intellectual or other property of any kind that is related to or based upon licensed Intellectual Property that is created, developed, produced, made, conceived or reduced to practice or caused to be created, developed, produced, made, conceived or reduced to practice, including any and all derivative works, improvements or amendments of kind of the Intellectual Property, by or from the Company or by or from either Member, either alone or with others, in connection with the business of the Company and/or with the Operating Agreement, is, and shall be at all times, the exclusive and sole property of the Member who has licensed the Intellectual Property pursuant to this Operating Agreement, and all proprietary rights and goodwill thereof shall inure solely to the benefit of the licensing Member. The licensee shall not contest or challenge the validity, ownership or title thereof or registration of any kind by the licensing Member of any rights related thereto.

### 13. **Statement of Work for Services**

13.1. The Members and the Company contemplate that the Company will seek and secure projects whereunder the Company will provide goods and services to other parties, and that the Members will provide such goods and services on behalf of the Company pursuant to a Statement of Work between each Member and the Company.

13.2. Each Member shall submit a bid to the other Member to provide work under any particular contract between the Company and a customer of the Company. The Members shall enter into a separate, detailed statement of work ("**Statement of Work**"), which shall be referenced in or attached to a customer order. Each Statement of Work shall set forth the scope of the work to be provided by the Company, the compensation to be paid and other applicable terms and conditions, including any criteria and procedures for acceptance of the work. Following acceptance of the Statement of Work by the customer, the Company shall perform the work for the particular customer in accordance with the provisions of the Statement of Work. Each Member shall appoint persons ("**Points of Contact**") in each Statement of Work. The Point of Contact will have the authority to determine the quality, acceptability and fitness of the work performed under a Statement of Work. The Point of Contact shall not exercise any direct control or supervision over the other Member's employees performing the work under a Statement of Work, but will be available for consultation. Each Member shall be responsible for supervision and direction of the work by its employees.

13.3. Each Member shall faithfully perform its obligations under each Statement of Work pertaining to such Member. The Members and the Company shall cooperate in good faith concerning any modifications to a Statement of Work, requested by a Member, the Company, or a customer. If either Member provides a request for dissolution under Section 11, then the Company's operations shall from that time be limited to those required to complete any outstanding, accepted Statements of Work, and those required for orderly wind up and dissolution of the Company. A request for dissolution shall not relieve either Member from obligations existing under Statements of Work in effect prior to such request.

14. **Confidentiality.** During the term of this Operating Agreement the receiving Member ("**Recipient**") shall not, without the prior written consent of the furnishing Member ("**Furnishing Party**"), use, exploit, reveal or disclose to any person or entity the existence of this Operating Agreement, its terms, any nonpublic technical or business information, whether in oral, written or other tangible form that the Furnishing Party designates as being confidential or which, under the circumstances surrounding disclosure, the Recipient knows or has reason to know should be treated as confidential, including but not limited to financial or customer data, intellectual property, the processing system, programs, files, specifications, drawings, sketches, models, samples, tools or other data, oral, written or otherwise or any information relating to the Furnishing Party's business, customers or confidential affairs of the Furnishing Party ("**Information**"); provided that the Information may be disclosed to such of Recipient's or Recipient's Affiliates' employees, contractors, or advisors, who have a need to know for the purpose of fulfilling Recipient's obligations under this Operating Agreement. Recipient shall advise any such individuals that the Information is confidential and that by receiving such information such individuals are agreeing to be bound by the terms of this Section 14 ("**Confidentiality**") and are agreeing not to use such information for any purpose other than described herein. Without the Furnishing Party's prior written consent, Recipient shall not, and shall direct such individuals not to, disclose the Information in whole or in part, except to the extent compelled by law. The Recipient shall protect the information of the Furnishing Party with the same degree of care as the Recipient employs for the protection of the Recipient's own trade secrets and confidential information (but in no event shall such care be less than that which is commercially reasonable). The provisions of this Section shall not apply to information of the Furnishing Party: (i) which is or becomes through no fault of the Recipient part of the public domain; (ii) which was already known to the Recipient at the time of disclosure as evidenced by written documents; (iii) which was independently developed by the Recipient without reference to or use of information received from the Furnishing Party; (iv) which is lawfully obtained by the Recipient from a third party outside of this Operating Agreement, free of any obligation of confidence at or subsequent to the time it was communicated to the Recipient by the Furnishing Party; (v) upon the order of any court or administrative agency; (vi) upon the request or demand of any regulatory agency or authority having jurisdiction over the Recipient; (vii) to the extent compelled by legal process or required or requested pursuant to subpoena, interrogatories or other discovery requests; or (viii) to the extent necessary in connection with the exercise of any remedy hereunder. The Recipient acknowledges that all information of the Furnishing Party shall be and remain the property of the Furnishing Party. The Recipient shall return to the Furnishing Party all documents received from the Furnishing Party promptly after a request by the Furnishing Party. Neither the preceding provisions of this Section 14 nor any other provision of this Operating Agreement shall be construed as prohibiting Sigma Labs, Inc. from disclosing any Information or other information that it is required to disclose under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, or the rules and regulations thereunder, in connection with a report or other document that Sigma Labs, Inc. files with the Securities and Exchange Commission.

14.1 Security. Each Member shall provide adequate security provisions to ensure that access to confidential information received from the other Member is available only for the purpose of providing work to the other Member.

14.2 Remedies. It is further understood and agreed that money damages may not be a sufficient remedy for any breach of Recipient's obligations under this Section 14 ("Confidentiality") by Recipient, or any employees, contractors or advisors under Recipient's supervision and that the Furnishing Party shall be entitled to seek specific injunctive relief as a remedy for any such breach. Such remedy shall not be deemed to be the exclusive remedy for the breach of obligations under this Section 14 ("Confidentiality") but shall be in addition to all other available legal or equitable remedies.

#### 15. Miscellaneous Provisions.

15.1 Notices. Any notice, demand, or communication required or permitted to be given by any provision of this Operating Agreement shall be deemed to have been given or served for all purposes if delivered personally to the party or to any executive officer of the party to whom the same is directed or, if sent by registered or certified mail, return receipt requested, postage and charges prepaid, or by facsimile, addressed to the Member's and/or Company's address as it appears in the Company's records, as appropriate. Except as otherwise provided herein, any such notice shall be deemed to have been given (a) when delivered personally (with written confirmation of receipt), (b) if sent by registered or certified mail, three business days after the date on which the same was deposited in a regularly maintained receptacle for the deposit of United States mail, addressed and sent in accordance with this sub-Section, and (c) on the date sent by facsimile (with confirmation of transmission) if sent during normal business hours of the recipient, and on the next business day if sent after normal business hours of the recipient.

15.2 Application of New Mexico Law. This Operating Agreement, and the application or interpretation of it, shall be governed exclusively by its terms and by the laws of the State of New Mexico.

15.3 Arbitration. Any dispute, claim, controversy arising out of or in connection with or relating to this Operating Agreement or any breach or alleged breach hereof shall, upon the request of any party involved, be submitted to and settled by three (3) arbitrators (the "**Arbitration Panel**") at the principal place of business of the Company, pursuant to the Commercial Arbitration Rules of the American Arbitration Association, but not subject to its jurisdiction. The Arbitration Panel shall be selected as follows: one arbitrator shall be selected by each of the parties, and the third arbitrator shall be selected by the two arbitrators chosen by each of the parties; provided, however, that if either of the parties fails to appoint an arbitrator within thirty (30) days of receiving notice of the commencement of an arbitration hereunder, then the arbitration shall be conducted by the sole arbitrator appointed by the other party. The decision of the arbitrators shall be final and binding. Judgment may be entered in any court of record in the appropriate jurisdiction upon the decision of the arbitrators. The cost of the arbitration shall be shared equally by the parties to the arbitration. Each of the parties shall pay their own attorneys' fees incurred in connection with the arbitration.

15.4 Waiver of Action for Partition. Each Member irrevocably waives during the term of the Company any right that it may have to maintain any action for partition with respect to the property of the Company.

5.5 Amendments. This Operating Agreement may be modified or amended only in writing signed by all of the Members.

15.6 Execution of Additional Instruments. Each Member hereby agrees to execute such other and further statements of interest and holdings, designations, powers of attorney and other instruments necessary to comply with any laws, rules or regulations.

15.7 Severability. If any provision of this Operating Agreement or of the application thereof to any person or circumstance shall be invalid, illegal or unenforceable to any extent, the remainder of this Operating Agreement and the application thereof shall not be affected and shall be enforceable to the fullest extent permitted by law.

15.8 Binding Effect. Each and all of the covenants, terms, provisions and agreements herein contained shall be binding upon and inure to the benefit of the parties hereto and, to the extent permitted by this Operating Agreement, their respective heirs, legal representatives, successor and assigns.

15.9 Creditors. None of the provisions of this Operating Agreement shall be for the benefit of or enforceable by any creditor of the Company.

15.10 Counterparts. This Operating Agreement may be executed in counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument.

15.11 Entire Agreement. This Operating Agreement, together with the Articles of Organization and all related Exhibits and Statements of Work, constitutes the sole and entire agreement of the parties to this Operating Agreement with respect to the subject matter contained herein and therein, and supersedes all prior and contemporaneous understandings, agreements, representations and warranties, both written and oral, with respect to such subject matter.

<signature page follows>

**DATED: June 29, 2015**

Signature: /s/ William F. Herman  
Member Name: **Arete (Innovative Solutions, LLC)**  
Address for Notices: 3050 Shawhan Road  
Morrow, OH 45152  
Facsimile: (513) 503-2712  
Initial Capital Contribution: \$[\*\*\*]  
Number of Units: 10,000  
Type of Units: Units

Signature: /s/ Mark J. Cola  
Member Name: **Sigma Labs, Inc.**  
Address for Notices: 3900 Paseo del Sol  
Santa Fe, NM 87507  
Facsimile: (505) 424-3174  
Initial Capital Contribution: \$[\*\*\*]  
Number of Units: 10,000  
Type of Units: Units

Signature: /s/ William F. Herman  
Company: **Arete-Sigma, LLC**  
Address for Notices: 3900 Paseo del Sol  
Santa Fe, NM 87507  
Facsimile: (505) 424-3174

Signature: /s/ William F. Herman  
Manager Name: **William F. Herman**  
Address for Notices: 3050 Shawhan Road  
Morrow, OH 45152  
Facsimile: (513) 503-2712

Exhibit A  
Scope and Formula of Operations of Arete-Sigma, LLC

- The nature and purpose of the Company will be as a virtual company to enable and implement sales and manufacturing transactions and to distribute costs and benefits fairly between its members.
- Subject to a unanimous vote of Members to the contrary, the Company will own no property and any and all assets acquired by or brought to the Company by Arete or Sigma will remain 100% owned by Arete or Sigma, as applicable.
- Similarly, subject to a unanimous vote of Members to the contrary, the Company will have no employees or payroll.
- Prior to closing the parties will develop a budget to determine startup costs. Startup costs will be financed with equal upfront cash contributions by the members into the Company at closing. No capital beyond that in the startup budget determined by the Members will be required of either Member without that Member's advance consent.
- Except for the startup costs financed at closing, costs and revenues will be booked, sales transaction by sales transaction, based upon Arete and Sigma's being treated as vendors to the jobs with respective upfront allocations of cost and revenue for work performed as determined in bids as modified by customer change orders, in general accord with the following Table:

<b>Arete- Sigma</b> <i>bid and manage by the numbers</i>		
<b>Revenue</b>		<b>%</b> <b>100.00%</b>
<b>Cost of Goods Sold</b>		
	<b>Materials</b>	[***]%
	<b>Labor</b>	[***]%
	<b>Mfrng Overhead</b>	[***]%
	<b>Total COGS</b>	[***]%
	<b>Gross Profit</b>	[***]%
<b>Sales, General, Admin</b>		
	<b>Management &amp; Sales (Arete)</b>	[***]%
	<b>Office Admin (Sigma)</b>	[***]%
		[***]%
<b>Pretax Profit</b>		[***]%

The Profits will accrue to the Company.

- Sigma will host a Sage-based accounting system for Arete / Sigma. Arete shall have real-time Internet access to review the LLC's Sage account.
- The Initial Members shall confer monthly on the progress of A/S and the decisions of the two members about perpetuating, altering, or terminating the Company.

Exhibit B  
Intellectual Property

**SIGMA LABS, INC. AND B6 SIGMA, INC.:**

The following intellectual property pertaining to this Operating Agreement was developed with private Sigma Labs or B6 Sigma funds:

- [\*\*\*]
  - o [\*\*\*]
  - o [\*\*\*]
  - o [\*\*\*]
  - o [\*\*\*]
- [\*\*\*]
  - o [\*\*\*]
  - o [\*\*\*]
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- [\*\*\*]
  - o [\*\*\*]
  - o [\*\*\*]
  - o [\*\*\*]
- [\*\*\*]
  - o [\*\*\*]

**ARETE:**

None to disclose.

Text Marked By [ \* \* \* ] Has Been Omitted Pursuant To A Request For Confidential Treatment And Was Filed Separately With The Securities And Exchange Commission.

### Statement of Work

#### **Background:**

Arete Sigma, LLC (A/S or the LLC) is co-owned 50%-50% by Arete Innovative Solutions (Arete) and Sigma Labs (Sigma).

The purpose of the LLC is to enable and implement sales and manufacturing transactions and to distribute costs and benefits fairly between its two members.

Because the LLC:

- a. owns no property and any and all assets acquired by or brought to A/S by Arete or Sigma will remain 100% owned by Arete or Sigma, as applicable;
- b. has no employees or payroll;

Arete and Sigma are each contracting business services to A/S.

#### **1. Arete's services and costs are as follows:**

##### **Customer Development functions:**

1. Arete will provide marketing development and services.
2. Arete will provide customer/project development services.

##### Engineering Cost Reimbursement:

Arete will be reimbursed by A/S for reasonable and documented travel, customer and project development expenses.

##### **Engineering functions:**

3. Arete will provide product engineering consulting services and customer education.
4. Arete will perform build file model modifications, manufacturing process engineering for product manufacturing.

##### Engineering Cost Reimbursement:

Arete will be reimbursed by A/S for the Arete employees work for A/S engineering at their fully burdened cost rates to Arete.

##### **Manufacturing functions:**

1. Arete will provide post processing including machining, surface finishing, inspection and nondestructive testing (NDT) as required.
2. Arete will provide supplier management and supply chain development services.
3. Arete will provide technicians and manufacturing personnel as each transaction requires under the supervision of the President (Bill Herman).

Manufacturing Cost Reimbursement:

Arete will be reimbursed by A/S for the employees work for A/S manufacturing at their fully burdened cost rates to Arete.

**Operational functions:**

Arete will provide the day-to-day operational support of the LLC, under the management oversight of the Manager/President:

- Maintain customer project requirements including prints, models, specifications, etc.
- Maintain modified built models.
- Maintain CNC programs, inspection programs, tooling list, fixtures, etc.
- Manage and maintain supply chain list.
- Provide the Members with monthly reports as they may require.
- Perform other such operational functions as may be reasonably requested by the Manager/ President to support professional operations of the administration of the LLC.

Operational Cost Reimbursement:

Arete will be paid [\*\*\*]%\* of the revenue of each transaction.

**Management; Power and Authority:**

Notwithstanding anything to the contrary in the Operating Agreement of A/S or otherwise, without the written approval of all Members of A/S, A/S shall not, and the Manager of A/S shall not enter into any commitment on behalf of A/S to:

- obtain any loan or other borrowing except as authorized in a budget approved by all of the Members;
- make any expenditures in excess of an aggregate of \$ 5000.
- enter into any transaction outside of the ordinary course of business of A/S;
- enter into any agreement or commitment to consummate a sale of A/S; and
- pledge, encumber or otherwise dispose of all or any part of A/S' assets or properties

**Non-Solicitation:**

In light of Arete's access to confidential information of Sigma and position of trust and confidence with Sigma, Arete agrees that, for so long as Arete owns membership interests in A/S and for a period of [\*\*\*] thereafter, Arete shall not, directly or indirectly through one or more of any of its affiliates, including its employees, officers, managers, owners, agents and subsidiaries, (i) hire or solicit, or encourage any other person to hire or solicit, any individual who has been employed by Sigma within one year prior to the date of such hiring or solicitation, or encourage any such individual to leave such employment, or (ii) solicit or entice, or attempt to solicit or entice, any customers of Sigma for purposes of diverting their business from Sigma.

\* every ninety days Arete and Sigma in consultation with each other may reset percentages of reimbursement of respective SG&A costs going forward based on data of actual costs

**2. Sigma's services and costs are as follows:**

**Manufacturing functions:**

- Sigma will provide on-site technicians and manufacturing personnel as each transaction requires under the supervisor of the Manager/President (Bill Herman of Arete).
- Sigma will provide administrative support for purchasing materials and equipment required for transactions.
- Sigma will provide use of its Additive Manufacturing Equipment (currently an EOS M290) as required by each transaction.

**Manufacturing Cost Reimbursement:**

Sigma will be reimbursed by A/S for (i) Sigma's COGS (costs of goods sold) with respect to each job order including all direct labor, materials, and respective applicable manufacturing overheads, and (ii) to the extent not covered by (i), above, Sigma's employees' work for A/S manufacturing, at their fully burdened cost rates to Sigma.

Sigma will be reimbursed for use of its Additive Manufacturing Equipment at **[\$\*\*\*]** per hour depending on the actual scope of work for that job order.

**Administrative functions:**

Sigma will provide the day-to-day Administration of the LLC, under the management oversight of the Manager/President:

- maintain A/S systems for order entry,
- purchase materials COGS
- keep the books and records of A/S,
- invoice customers
- manage and pay accounts payable
- establish and reconcile bank accounts,
- provide the members with monthly reports as they may require
- perform other such other administrative functions as may be reasonably requested by the Manager/ President to support professional operations of the administration of the LLC.

**Administrative Cost Reimbursement:**

Sigma will be paid **[\*\*\*]%\*** of the revenue of each transaction.

**Non-Solicitation:**

In light of Sigma's access to confidential information of Arete and position of trust and confidence with Arete, Sigma agrees that, for so long as Sigma owns membership interests in A/S and for a period of **[\*\*\*]** thereafter, Sigma shall not, directly or indirectly through one or more of any of its affiliates, including its employees, officers, managers, owners, agents and subsidiaries, (i) hire or solicit, or encourage any other person to hire or solicit, any individual **[\*\*\*]** who has been employed by Arete within one year prior to the date of such hiring or solicitation, or encourage any such individual to leave such employment, or (ii) solicit or entice, or attempt to solicit or entice, any customers of Arete for purposes of diverting their business from Sigma.

\* every ninety days Arete and Sigma in consultation with each other may reset percentages of reimbursement of respective SG&A costs going forward based on data of actual costs

IN WITNESS WHEREOF, the parties have caused this Statement of Work to be executed as of June 29, 2015.

**Arete-Sigma, LLC**

By: /s/ William F. Herman  
Name: William F. Herman  
Title: Manager

**Arete (Innovative Solutions, LLC)**

By: /s/ William F. Herman  
Name: William F. Herman  
Title: President

**Sigma Labs, Inc.**

By: /s/ Mark J. Cola  
Name: Mark J. Cola  
Title: President and CEO

**Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Mark J. Cola, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Sigma Labs, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2015

By: /s/ Mark J. Cola

Name: Mark J. Cola

Title: President and Chief Executive Officer (Principal Executive Officer)

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**Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Monica Yaple, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Sigma Labs, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2015

By: /s/ Monica Yaple

Name: Monica Yaple

Title: Treasurer (Principal Financial and Accounting Officer)

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**Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, Mark J. Cola, the President and Chief Executive Officer, and Monica Yapple, the Principal Financial Officer, of Sigma Labs, Inc. (the "Company"), hereby certify, that, to their knowledge:

1. The Quarterly Report on Form 10-Q for the period ended June 30, 2015 (the "Report") of the Company fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Mark J. Cola

Mark J. Cola  
President and Chief Executive Officer  
(Principal Executive Officer)

August 7, 2015

/s/ Monica Yapple

Monica Yapple  
Treasurer (Principal Financial and  
Accounting Officer)

August 7, 2015

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