

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2019

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number: **001-38015**

SIGMA LABS, INC.

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

27-1865814
(I.R.S. Employer
Identification Number)

**3900 Paseo del Sol
Santa Fe, New Mexico 87507**
(Address of principal executive offices)

(505) 438-2576
(Registrant's telephone number, including area code):

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	SGLB	The NASDAQ Stock Market LLC
Warrants to Purchase Common Stock, par value \$0.001 per share	SGLBW	The NASDAQ Stock Market LLC

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files).
Yes . No .

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

Large accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)

Accelerated filer
Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Based on the closing price of the registrant's common stock as reported on The NASDAQ Capital Market, the aggregate market value of the Registrant's common stock held by non-affiliates on June 30, 2019 (the last business day of the registrant's most recently completed second fiscal quarter) was approximately \$14,706,518. Shares of common stock held by directors and executive officers and any ten percent or greater stockholders and their respective affiliates have been excluded from this calculation, because such stockholders may be deemed to be "affiliates" of the registrant. This is not necessarily determinative of affiliate status for other purposes. The number of outstanding shares of the registrant's common stock as of March 20, 2020 was 1,627,182, after giving effect to the 1-for-10 reverse stock split of the outstanding shares of the registrant's common stock effected on February 27, 2020.

SIGMA LABS, INC.

FORM 10-K — FISCAL YEAR ENDED DECEMBER 31, 2019

INDEX

[PART I](#)

ITEM 1.	BUSINESS	4
ITEM 1A.	RISK FACTORS	10
ITEM 1B.	UNRESOLVED STAFF COMMENTS	19
ITEM 2.	PROPERTIES	19
ITEM 3.	LEGAL PROCEEDINGS	19
ITEM 4.	MINE SAFETY DISCLOSURES	19

[PART II](#)

ITEM 5.	MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES	19
ITEM 6.	SELECTED FINANCIAL DATA	20
ITEM 7.	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	20
ITEM 7A.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	23
ITEM 8.	FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	23
ITEM 9.	CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	23
ITEM 9A.	CONTROLS AND PROCEDURES	23
ITEM 9B.	OTHER INFORMATION	24

[PART III](#)

ITEM 10.	DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE	24
ITEM 11.	EXECUTIVE COMPENSATION	32
ITEM 12.	SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS	43
ITEM 13.	CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE	44
ITEM 14.	PRINCIPAL ACCOUNTING FEES AND SERVICES	45

[PART IV](#)

ITEM 15.	EXHIBITS, FINANCIAL STATEMENT SCHEDULES	46
ITEM 16.	FORM 10-K SUMMARY	49

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This 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. All statements other than statements of historical fact are “Forward-Looking Statements” for purposes of these provisions, including any projections of revenues 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 “Risk Factors” and elsewhere in this report.

Introductory Comment

Throughout this Annual Report on Form 10-K, unless otherwise indicated or the context otherwise requires, references to the “Company,” “Sigma,” “Sigma Labs,” “we,” “us” and “our” refer to Sigma Labs, Inc.. Effective February 27, 2020, our Articles of Incorporation were amended to provide for both a reverse stock split of the outstanding shares of our common stock on a 1-for-10 basis (the “Reverse Stock Split”) and a corresponding decrease in the number of shares of our common stock that we are authorized to issue (the “Share Decrease”). Pursuant to the Share Decrease, the number of authorized shares of common stock decreased from 22,500,000 to 2,250,000 shares of common stock. All amounts shown for common stock included in this Annual Report on Form 10-K are presented post-Reverse Stock Split.

PART I

ITEM 1. BUSINESS.

Summary

The Company:

Sigma is a 10-year-old software company that was founded by scientist-engineers composed of physicists and metallurgists then working at Los Alamos National Labs for the entrepreneurial purpose of developing sophisticated metallurgical products. The public company that in 2010 completed a share exchange transaction with the shareholders of a company that became Sigma Labs in 2010 was incorporated as Messidor Limited in Nevada on December 23, 1985 and changed its name to Framewaves Inc. in 2001. On September 27, 2010, the name was changed from Framewaves Inc. to Sigma Labs, Inc. Thenceforth, the Company developed both a dental implant technology and a munitions technology before narrowing its focus exclusively in 2016 to solving the complex and challenging problem of how to best assure the high quality of metal parts manufactured in laser powder bed additive manufacturing (AM) machines. Sigma and many others, then and now, believed that until this problem was solved, 3D manufacturing of metal parts was not sufficiently scalable to grow past prototyping and mature into a major industry enjoying high quality yields and cost-efficient production runs. The solution that Sigma developed to solve this problem is In-Process-Quality-Assurance (“IPQA”) software known as PrintRite3D®.

From 2016 through 2020 the Company and its technology co-evolved in transformation that saw the Company step up from being a small research and development operation to reinvent itself as a technology commercialization company in 2017 deploying its alpha technology concept with Aerojet Rocketdyne, Pratt and Whitney, Siemens, Woodward, and other companies to work as a sometimes virtual integrated team with these customers’ R&D personnel and thus to acquire directly from major companies in the market the definition of the specifications of what Sigma’s product would have to be in order to meet commercial industrial standards. Defining these standards included defining the specific product quality data information and analytics requirements of large production manufacturers as well as determining the user-friendly form the product must have. In February 2017, Sigma completed a financing and a simultaneous up list on to the NASDAQ Capital Market, the two actions intended to enable the Company to accelerate product development and commercialization while also having ongoing access to capital. By mid-2018, Sigma had doubled its software development team and in the course of the year developed and integrated its PrintRite3D® Thermal Energy Density™ (TED) and Thermal Energy Planck (TEP) algorithm analytical packages into a hardened commercial industrial product presented at Formnext in November 2018. In 2019, the Company launched its Rapid Test and Evaluation Program (RTE) in order to deploy its new product in a test and evaluation process explicitly designed: (1) to define the test outcome requirements of both end-users and Original Equipment Manufacturers (OEM) required to meet their respective needs in a production setting; and, (2) to be a pathway that Sigma believed would lead to sales of equipment to end-users or of licenses to OEMs subject to the tests and evaluations meeting the upfront stated requirement of the companies with whom tests would be run. In the second Quarter of 2019, Sigma released version 5.0 of PrintRite3D® with a user-friendly interface tool that enables process engineers to drill down into the data and machine operators to better understand and control the process.

By year-end of 2019, the RTE results were consistently favorable and we experienced no product failures, however the time required to complete an RTE was longer than expected due to operational issues within the test sites that were beyond our control. Baker Hughes, for whom on-site testing began in April 2019, had ordered a Phase 2 as the final phase ahead of a potentially broader global rollout of the technology to their additive manufacturing machine base. The major service provider, with whom our on-site testing began in March 2019, had also begun its second RTE to start on a different OEM brand from the first RTE tests. Another major OEM whose purchase order for an RTE we announced in August 2019 had only its own brand upon which to test and agreed to complete two simultaneous test units on different models and was thus on a fast track. Airbus was developing on schedule and expected to require a Phase 2 if and after the current RTE met their needs. Materialise, a diverse AM company and an OEM for AM control systems and software, had been Sigma’s first RTE program participant and with whom the Company announced in June 2019 that Sigma had entered into a non-binding Memorandum of Understanding to integrate PrintRite3D® with Materialise’s new MPC AM equipment control system. As stated in the “Recent Events” of this document, on March 5, 2020 the Company announced that Sigma and Materialise have now entered a Joint Sales Agreement to commercialize the integrated product.

As defined and disclosed in 2019, Sigma’s mission and challenge in 2020 and beyond is to convert the testing it conducted in 2019 into purchase orders and OEM licenses going forward. Of course, there is no assurance that this mission will be accomplished, even as the goal and strategy are what would be the logical outcomes of successful product demonstrations. In order to further strengthen itself to deliver on its mission to convert successful test and evaluation outcomes into end-user sales and OEM licenses, the Company recruited and hired Mark K. Ruport as of December 3, 2019 to help lead the company forward as Executive Chair. As reported in December, Mr. Ruport is a skilled sales and marketing chief executive who has built three substantial software enterprises.

Currently, Sigma is focusing on four markets: (i) end-user for deployment of PrintRite3D® in serial production; (2) OEMs for purchases of licenses and generating fees and royalties thereafter; (3) additive manufacturing software vendors for alliances and licenses for co-sales; and (4) research foundations, standards organizations and universities, all in service of Sigma’s potential for setting the industry standard of measurement by providing data and analytics as a metrics-based quality standard of metal quality for all 3D laser powderbed manufactured parts, notwithstanding the design, metal, or brand of equipment upon which parts are manufactured.

Additive Metal Manufacturing and the role and need for Sigma's technology:

3D laser powderbed manufacturing of metal parts is a technology that uses lasers to sculpt parts by welding powdered metals into 3-dimensional (3D) objects and, to date, the quality of these parts can vary from part to part in a single production run, as well as from machine to machine in a production line. Traditional quality assurance methods relying on statistically based post-process inspection methods so well proven by "Subtractive Manufacturing" cannot be used effectively to improve and assure quality of parts manufactured using 3D metal printers. The aforementioned traditional quality assurance methods are based on a manufacturing process that is the opposite of 3D Additive Manufacturing; Subtractive Manufacturing begins with quality-assured already formed pieces of metal as a raw material (not powdered metal as is used as raw material in 3D) and machines it with equipment such as lathes, milling machines, and CNC machines to subtract metal and thus form finished metal parts, or by casting molten metal into molded parts usually to then be further machined. Since the metal used in Subtractive Manufacturing is already of proven quality, the quality of the metal for all parts in a production run is known to be uniform, subject to post process inspection of a statistically determined valid sample size focused primarily on metrology to determine dimensional accuracy rather than metallurgy to determine metal quality.

The challenge presented of 3D Additive Manufacturing quality assurance is illustrated by the fact that if a 3D metal manufacturing machine fabricates 10 parts, and quality inspectors then rigorously inspect three of them, the inspectors will have learned about the quality of only the three parts they destroyed or CT-scanned and nothing that is sufficient to confirm or reject the quality of the remaining seven. Quality assurance of 3D Additive metal parts requires high quality sensitive manufacturers to institute procedures to inspect 100% of the parts being made. Sigma believes that the best, indeed, to Sigma's knowledge, the only known way to attain high yields for both manufacturing quality and cost efficiency is an In-Process-Quality-Assurance (IPQA®) approach that examines each part in real time as it is being manufactured, determines in real time whether it meets quality specifications and permits machine operators to act on the information if a part is beginning to deviate from its design specifications.

As evidenced in the marketplace in 2016 and after the pent-up demand of GE, Airbus and others to press forward into advanced 3D metal manufacturing, production took place with the assumption that highly reliable in-process quality assurance capability would likely emerge either from their own internal efforts or be attained through licensing, or acquisition. In the meantime, CT scans and other costly post-process inspection became an accepted cost as initially sustainable in the startup phases of production. However, until companies that utilize 3D production facilities like GE Aviation are able to effectively verify that each part conforms to design specifications of attributes of shape, density, strength and consistency in real-time during the manufacturing process, we believe that such companies will be at risk of letting some substandard parts through and, also, be unable to improve the workflow to high quality cost-optimum yields of 3D printed metal parts. No matter how much acuity and at what cost a suite of *post* process inspection tools might provide 3D manufactured metal parts, it currently can only assure quality yield by rejecting fully formed parts, and, over time, applying comprehensive 'reverse engineering' forensic analyses of each rejected part to identify repeating quality flaws attributable to constants such as location, design, or scan strategy. Once the locations of these repeating flaws are identified, process engineers can act to make the AM equipment deliver better quality by adjusting the computer-based manufacturing instructions of AM equipment to offset the repeating flaws discovered by that deep analyses of individual rejected parts in many manufacturing runs. This prolonged post-process methodology is very costly due to the loss of material and rejected parts as well as post-process analysis labor cost and inspection cost such as CT scanning. Additionally, there still lingers the question of whether or not the post-process inspections were sufficiently granular to assure that flawed parts were not accepted and shipped.

We believe that our product, PrintRite3D® version 5.2, which is 'agnostic' and can be installed on all major brands of 3D metal laser powderbed printers, solves these problems by determining if each part is being made to the metallurgical quality specifications of the product design as each part is being made. Our software enables 3D prototyping to evolve forward into serial or production 3D manufacturing by providing a software suite with algorithm-based tools that address and overcome quality issues that are specific to 3D Metal Additive Manufacturing and that are not solved using the post-production quality methods developed for subtractive manufacturing along with and newly dependent upon CT scanning. The PrintRite3D® suite has the potential to substantially lower operating costs and can attain higher yields by inspecting parts as they are made and providing machines and their operators actionable information that includes the options of stopping manufacture of given part(s) while operations continue to complete parts that are in specification, thus saving time and money while raising yields.

PrintRite3D® also gives operators information from run-to-run that enables them to 'learn up' quality for a given machine by using PrintRite3D® data about machine behaviors that can then be offset by making adjustments to power settings directed at a given sector. PrintRite3D®'s ("TED") feature supersedes and truncates the "reverse engineering" process of post process inspection described above by providing process engineers the data required to optimize individual machines as well as machines in series in days or weeks and before serial production is launched rather than months after production and rejection rates have accrued in costly quantities. PrintRite3D®'s ("TEP") feature provides machine operators and engineers with in-process real-time identification of signatures of quality anomalies as they begin to develop and permits terminating or curing a part in process and provides them with alerts that enable the operators to use the anomalies' signature information to know how to adjust the machine controls to cure the problem, or in rare instances, to terminate the part if its cause is reversible.

The emergence of the 3D Metal Printing Market and Sigma's place in it

3D printing (3DP) or additive manufacturing (AM) is challenging the manufacturing world with the breadth of its technological abilities from rapid design through cost efficient manufacturing to produce complex and unique metal parts. 3D AM technology total industry sales, including all raw materials used reached \$1 billion in 2007, jumped to nearly \$7.3 billion in 2017, and were expected by Wohlers to hit \$26.5 billion by 2021. Sectors of the industry have tended so far to grow in step functions as new methods, processes, and materials have entered the market. Worldwide revenues attributable to 3D manufacturing for metal products were reported at \$88.1 million in 2015 (Wohlers Report 2016, 3D Printing and Additive Manufacturing State of the Industry – Annual Worldwide Progress Report). By 2017, Wohlers Report stopped estimating annual 3D metal parts revenue, stating that too much of the revenue is proprietary information and unavailable from aerospace and similar high-tech sectors. Powdered metal suppliers to the AM metal industry surveyed by Wohlers for their growth forecasts for 2017 for the raw materials used in metal AM parts manufactured averaged expectations of a 59% increase for 2017. According to Sigma's experience in costing and pricing the manufacturing of AM metal parts, as confirmed by consultation with other service providers, the total powdered metal sales forecast for 2017 is enough raw material to produce a "retail value" of the metal parts of ~\$800 million in 2017. Wohler estimates that the fastest growing sector of the total 3D market into the 2020s is and will be 3D metal printing at a CAGR averaging 30%.

On another vector, according to Wohlers, an estimated 1,768 metal AM machines were sold in 2017, an increase of 79% over 2016, and the 2,297 AM Metal machines sold in 2018, an CAGR of 30% over 2017. As large established companies including Toshiba, HP, Lenovo, Canon and Ricoh in the course of 2016-2017 announced products or intents of entry in AM manufacturing, Electro Optical Systems ("EOS"), a well-established vendor of AM manufacturing equipment opened a new plant in January 2018 that, according to EOS, doubled its 2017 capacity to 1,000 units per year. SLM Solutions AG also reportedly expanded into a new factory during this period. In the same period, over \$1 billion growth capital and consolidation capital was invested in the metal sector. General Electric spent >\$1.4 Billion in 2016-2017 acquiring Arcam and Concept Laser thus securing a source of supply for itself as well as a new OEM capital equipment business. In the same period GE also invested >\$100 Million in Desktop Metal. In October 2018 General Electric announced that it had manufactured and shipped its 30,000th 3D manufactured fuel nozzle, while Airbus was targeted to grow to taking delivery of up to ~30 tons of metal parts per month by December 2018. 3D metal printers are seeing rapid adoption, with an installed base of 11,000 globally, with 2,297 sold in 2018 alone at an ASP of \$413,000. Extending data and trends reported by Wohlers above, Sigma's possible addressable market 2021-2027 is approximately \$2 billion – or a potential \$100m revenue for every 5% of market share. The figures in this paragraph are extrapolations from Wohlers and SmarTech data and forecasts of the total available market for Sigma products; the calculation that 5% of that total available market is \$100m is intended as metric to make the scale of market opportunity more understandable, and it is not a forecast. We believe there is potential for our PrintRite3D® software to be incorporated into a significant percentage of 3D metal printing devices made by companies like Additive Industries, ARCAM, Concept Laser, DMG Mori, Electro-Optical Systems ("EOS"), SLM, Trumpf Industries, Farsoon, Renishaw, Sodick, and others.

Third Party Competition and Sigma's Intellectual Property Safeguards

Sigma is engaged with large companies in several industries including aerospace, defense, oil and gas, bio-medical, and power generation because both we, and they, agree that they need a common quality standard and third party quality assurance tools for 3D metal printing that applies to all laser powderbed-made parts regardless of which machine, design, or metal was employed. To date, we are unaware of any meltpool monitoring products that compete with PrintRite3D that can meet those criteria. Sigma's thermal data gathering, and analytical tools provide quality information metrics that correlate to measures of internal metal part design, conformity, uniformity, and characteristics such as porosity, unsintered material etc. The primary competition to PrintRite 3D is varying iterations of Optical Tomography (OT). Optical Tomography develops optical data and computer analysis thereof sometimes linked to simulation tools to predict quality. OT technology does not provide universal thermal-data based metrics of metal quality that Sigma's thermal data provides, and which are fundamental to confirming or rejecting parts based on measurable consistency of material properties.

Sigma began its investigation and research into optical and thermal data collection and measurement for quality assurance and intervention approximately 5 years ago and began to develop its intellectual property protection at that time also. The international IP law firm, Kilpatrick Townsend & Stockton LLP, has advised the Company on building the nets and walls of its patent portfolio, trade secrets, trademarks, etc. and filed and prosecuted patents as the Company has grown its body of intellectual property.

<i>Sigma Labs, Inc. Patent Portfolio</i>			
Jurisdiction	Granted	In Process	Total
US	11	11	22
PCT	-	2	2
EP	-	4	4
Germany	-	4	4
China	-	1	1
Japan	-	1	1
Korea	-	1	1
Total	11	24	35

Based upon the evidence of competitors' product claims and features reviewed by Sigma to date, it appears to us that Sigma's solution to the quality problems of 3D metal printing is a significantly different technological approach than that of our principal known competition. It continues to appear to us that the intellectual property protection of PrintRite3D's acuity, meaningful metrics of thermal data correlated to part quality, and usability of its software accord Sigma freedom to operate with its technology, and may be a significant barrier to entry to competitors switching over to try to pursue the technology path traveled by Sigma. Notwithstanding the foregoing, we do understand that technology development is fraught with cases of new approaches and new technologies emerging and surpassing existing intellectual property protections that looked and were powerful until a form of competition materialized; there is no assurance that such an event will not take place adversely for Sigma.

Recent Developments

On March 23, 2020, we announced that we were awarded two new U.S. Patents:

- U.S. Application No.: 16/234,333 Titled: Systems and Methods for Additive Manufacturing Operations; and
- U.S. Application No.: 16/282/004 Titled: Systems and Methods for Measuring Radiated Thermal Energy During an Additive Manufacturing Operation.

With the addition of these new patents, our intellectual property portfolio is now comprised of eleven issued and twenty-four pending patents.

On March 5, 2020, we announced that we have agreed to evolve our previously announced memorandum of understanding (MOU) to cooperate on the integration of the Materialise MCP Controller with our PrintRite3D® technology and have agreed to enter into a binding joint sales agreement to begin beta customer commercialization of the integrated PrintRite3D® and Materialise Control Platform (MCP) product.

On March 2, 2020, we gave notice that a Special Meeting of Stockholders will be held at 3900 Paseo del Sol, Santa Fe, New Mexico 87507, at 10:00 AM, local time, on March 27, 2020 for the purposes set forth in the proxy statement filed by the Company with the Securities and Exchange Commission on March 2, 2020.

On February 26, 2020, we filed a Certificate of Change to its amended and restated articles of incorporation with the Nevada Secretary of State. This filing effected a 1-for-10 reverse stock split (the "Reverse Split") of the Company's Common Stock and a corresponding decrease in the number of shares of the Company's Common Stock that the Company is authorized to issue, effective as of 11:59 pm on February 27, 2020. The Reverse Split combined each ten shares of the Company's issued and outstanding Common Stock into one share of Common Stock. No fractional shares were issued in connection with the Reverse Split, and any fractional shares resulting from the Reverse Split were rounded up to the nearest whole share. All stock options, warrants, shares issuable upon conversion of the Company's preferred stock and stock awards of the Company outstanding immediately prior to the Reverse Split will be adjusted in accordance with their terms.

On February 19, 2020, we were informed by Frank Garofalo that he has resigned as a director of the Company, effective February 19, 2020. Mr. Garofalo has advised the Company that he resigned in order to cause the Company to regain compliance with Nasdaq's majority of independent director requirement as set forth in Nasdaq Listing Rule 5605(b)(1), and not due to a disagreement with the Company on any matter regarding its operations, policies or practices.

On January 27, 2020, we entered into a Securities Purchase Agreement (the "Institutional SPA") with certain institutional investors (the "Institutional Investors"). Pursuant to the Institutional SPA, the Company issued and sold to each Institutional Investor shares of the Company's Series D Convertible Preferred Stock (the "Series D Preferred Stock"), warrants to purchase the Company's Common Stock (the "Institutional Common Warrants") and warrants to purchase the Series D Preferred Stock (the "Preferred Warrants") for a total gross purchase price of \$1,600,000. At the closing on January 28, 2020, the Company issued to the Institutional Investors an aggregate of 1,640 shares of the Series D Preferred Stock (the "Series D Preferred Shares"), Institutional Common Warrants to purchase up to an aggregate of 779,600 shares of Common Stock and warrants to purchase an aggregate of 6,156 of additional Series D Preferred Stock. Concurrently with the foregoing private placement, we also sold 333.33 shares of our Series E Preferred Stock and warrants to purchase 48,544 shares of our common stock for a total gross purchase price of \$500,000. The Series E Preferred Stock is initially convertible into 48,544 shares of Common Stock.

On December 3, 2019, we entered into an employment letter agreement with Mark Ruport, effective as of December 3, 2019, pursuant to which Mr. Ruport has agreed to serve as our Executive Chairman on an "at-will" basis. Additionally, Mr. Ruport was appointed to serve as a member of our Board of Directors, effective as of December 3, 2019, with a term expiring at the 2021 annual meeting of stockholders.

On November 19-22, 2019, we demonstrated the latest version of our proprietary PrintRite3D® Real-Time Melt Pool Analytics software platform in conjunction with Materialise NV at the Formnext 2019 conference in Frankfurt, Germany. Materialise invited our Chief Technology Officer to present on “Integration of PrintRite3D Melt Pool Monitoring Software with Materialise’s Machine Control Platform (MCP) for Advanced Process Control” at Materialise’s booth.

On November 5, 2019, we announced that we have partnered with a Japanese high-end manufacturer of state-of-the-art machine tools, electrical discharge machines (EDM) and 3D printing products, for a test and evaluation program of Sigma Labs’ PrintRite3D® real time melt pool analytics.

On October 23, 2019, we announced that we have been awarded a contract by VTT Technical Research Centre of Finland Ltd, an impartial, state-owned non-profit research and technology organization with the mission to support economic competitiveness, societal development and innovation in Finland, to install our proprietary PrintRite3D® Real-Time Melt Pool Analytics software platform at the VTT 3D metal printing facility.

On August 13, 2019, we announced that we have been selected by a major international OEM machine manufacturer to install our proprietary PrintRite3D® products. As part of the agreement, the OEM will complete our Rapid Test and Evaluation program and will install the PrintRite3D® in two different countries for analysis and proof-of-performance purposes.

On August 2, 2019, we closed a public offering of equity securities in which we issued 287,500 shares of common stock resulting in net proceeds of \$1,971,000.

On July 30, 2019, we announced that we will work with Airbus to complete a Test and Evaluation Program of our new PrintRite3D® version 5.0 hardware and software followed by a validation phase on a powderbed fusion printer.

On June 18, 2019, we announced that we signed a non-binding Memorandum of Understanding with Materialise NV to cooperate in the integration of their MCP Controller with our PrintRite3D® technology. Combining the sophisticated control technology with in-situ process monitoring for metal additive manufacturing will give customers maximal control on the production process, allowing them to become even more productive.

On May 21-23, 2019, we launched Version 5.0 of our PrintRite3D® platform at the RAPID+TCT 2019 Additive Manufacturing Conference in Detroit.

On April 30, 2019, we announced that the Company’s PrintRite3D® software has been shown to ensure process consistency and product quality in metal additive manufacturing, according to a research study sponsored by the Defense Advanced Research Project Agency (DARPA) Open Manufacturing Program and conducted in tandem with Honeywell Aerospace at Honeywell’s Advanced Manufacturing Engineering Center. The paper, titled “LPBF [Laser Powder Bed Fusion] Right the First Time-the Right Mix Between Modeling and Experiments,” discusses the validation involved in manufacturing a challenging metal component.

On March 26, 2019, we announced the appointment of the Company’s new Business Development Manager, America’s, who will be responsible for developing key accounts through the Company’s Rapid Test and Evaluation Program and for bringing PrintRite3D Inspect® into deployment across serial production operations in North and South America.

Intellectual Property

We regard our patents, trademarks, domain names, trade secrets, know-how, and other intellectual property as critical to our success. We rely on a combination of patent, trademark, trade secret, other intellectual property law, confidentiality procedures, and contractual provisions with employees, partners, and others to protect the technology and other proprietary rights, information and know-how that comprise the core of our business. The chart below summarizes our issued patents. We are currently prosecuting twenty-four foreign and U.S. patent applications related to our IPQA® technology and rapid qualification of additive manufacturing for metal parts. There is no guarantee that the patent applications we have submitted will issue or that if issued, they will offer adequate protection under applicable law.

Title	Type	Patent No. or Application No.	Expiration Date
Controlled Weld Pool Volume Control of Welding Processes	US Utility	8,354,608	3/16/31
Structurally Sound Reactive Materials	US Utility	8,372,224	10/15/30
Composite Projectile	US Utility	8,359,979	3/21/27
Methods and Systems for Monitoring Additive Manufacturing Processes	US Utility	9,999,924	5/11/36
Systems and Methods for Additive Manufacturing Operations	US Utility	10,207,489	6/20/37
Material Qualification System and Methodology	US Utility	10,226,817	4/26/37
Optical Manufacturing Process Sensing and Status Indication System	US Utility	10,317,294	5/2/35
Systems and Methods for Measuring Radiated Thermal Energy During an Additive Manufacturing Operation	US Utility	10,479,020	8/1/38
Optical Manufacturing Process Sensing and Status Indication System	US Utility	10,520,372	3/25/35
Systems and Methods for Additive Manufacturing Operations*	US Utility	16/234,333	9/30/36
Systems and Methods for Measuring Radiated Thermal Energy During an Additive Manufacturing Operation*	US Utility	16/282,004	2/21/39

*Patents granted; however, patent numbers have not yet been issued. Expiration dates are therefore estimated.

Government Regulation

Any contracts that we enter into with governmental agencies will be subject to a variety of federal, state and local laws and regulations. These regulations are aimed at preventing the inadvertent disclosure of munitions related data or the export of technical knowledge to foreign countries. The work we do with governmental units may also be subject to laws respecting the confidentiality of any classified or national security information we receive during the course of our activities under any government contract.

Additionally, with respect to our work with government agencies, our sales are driven by pricing based on costs incurred to produce products or perform services under contracts with the U.S. government. U.S. government contracts generally are subject to Federal Acquisition Regulations (“FAR”), agency-specific regulations that implement or supplement FAR, such as the DoD’s Defense Federal Acquisition Regulations and other applicable laws and regulations. These regulations impose a broad range of requirements, many of which are unique to government contracting, including various procurement, import and export, security, contract pricing and cost, contract termination and adjustment, and audit requirements. A contractor’s failure to comply with these regulations and requirements could result in reductions of the value of contracts, contract modifications or termination, and the assessment of penalties and fines and could lead to suspension or debarment from government contracting or subcontracting for a period of time. In addition, government contractors are also subject to routine audits and investigations by U.S. government agencies such as the Defense Contract Audit Agency (“DCAA”). These agencies review a contractor’s performance, cost structure, and compliance with applicable laws, regulations, and standards. The DCAA also reviews the adequacy of, and a contractor’s compliance with, its internal control systems and policies, including the contractor’s purchasing, property, estimating, compensation, and information systems.

As of March 20, 2020, we do not have any active contracts with government agencies. During fiscal year 2019, we did not enter into any contracts with government agencies, nor do we seek to do so in the future.

Employees

As of December 31, 2019, we had 21 full-time employees. We continue to search for additional, qualified personnel, to support our expanding operations in the area of IPQA® for AM.

Properties

We lease approximately 3,872 square feet of space at 3900 Paseo del Sol, Santa Fe, New Mexico 87507, including 1,945 square feet of office space at units, C-14, C-15, C-16, C-17, C-18, C-20, C-21 and D-34 for a total monthly rent expense of approximately \$4,240 under the lease, and 1,927 square feet of warehouse / production space at units E-38, E-40 and E-42, for a total monthly rent expense of approximately \$2,275 under the lease, which expire between May 31, 2020 and July 31, 2020.

We believe that our facilities are suitable for our current needs. We currently intend to renew such leases, but we are evaluating the need for a larger space as we grow.

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. 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 Securities Exchange Act of 1934, as amended (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 Annual Report on Form 10-K.

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.

ITEM 1A. RISK FACTORS.

Investing in our securities involves a high degree of risk. Our business is subject to numerous risks. We caution you that the following important factors, among others, could cause our actual results to differ materially from those expressed in statements made by us or on our behalf in filings with the SEC, press releases or communications with investors and others. Any or all of our statements in this annual report and in any other public statements we make may turn out to be wrong. They can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. The factors mentioned in the discussion below will be important in determining future results. Consequently, actual future results may vary materially from those anticipated in this annual report or our other public statements. You should carefully consider the risks described below, as well as the other information in this annual report, including our financial statements and the related notes and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” before deciding whether to invest in our securities. The occurrence of any of the events or developments described below could harm our financial condition, results of operations, business and prospects. In such an event, the market price of our securities could decline, and you could lose all or part of your investment. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may have similar adverse effects on us.

Risks Related to Our Business

We have a limited operating history, are not currently profitable and may never become profitable.

We have incurred losses in every reporting period since we commenced business operations in 2010 and expect to continue to incur significant losses for the foreseeable future. Our net loss for the years ended December 31, 2019 and 2018 were \$6,320,849, and \$5,574,163, respectively. As of December 31, 2019, our accumulated deficit was \$26,095,594. There is no assurance that any revenues we generate will be sufficient for us to become profitable or to maintain profitability. Our revenues for the years ended December 31, 2019 and December 31, 2018 were \$402,446 and \$388,574, respectively, and our operating expenses for those periods were \$6,211,830 and \$5,687,271, respectively. Our current revenues are not sufficient to fund our operations. We cannot predict when, if ever, we might achieve profitability and we are not certain that we will be able to sustain profitability, if achieved. If we fail to achieve or maintain profitability, the market price of our securities is likely to be adversely affected.

We will require additional financing to continue our operations, and there is no assurance that we will be able to obtain such financing on acceptable terms, or at all.

In January 2020, we completed two private placements consisting of shares of our newly created Series D and Series E Preferred Stock, warrants to purchase additional shares of Series D Preferred Stock and warrants to purchase shares of our Common Stock resulting in net cash proceeds to us of approximately \$1,711,124. Subject to the satisfaction of certain equity conditions, we have the right to force the exercise of a portion of the warrants to purchase our Series D Preferred Stock which will result in gross cash proceeds of \$500,000. Additionally, if all of the remaining warrants to purchase shares of Series D Preferred Stock and Common Stock are exercised by the holders thereof, the potential gross cash proceeds to us will be \$13,298,100. Depending on the amount, if anything, we receive from such exercises and the timing thereof, and the amount of revenues we are able to generate, we may need to raise additional amounts to fund our operations, maintain compliance with the NASDAQ listing requirements and implement our business plan. There is no assurance as to the amount and availability of any required future financing or the terms thereof. Such financing, if in the form of equity, may be highly dilutive to our existing stockholders and may otherwise include onerous terms. If in the form of debt, such financing may include covenants and repayment obligations which may be difficult to meet and that could adversely affect our business operations. There is also significant uncertainty from the affect that the novel coronavirus may have on the availability and type of financing. To the extent that funds are not available to us, we may be required to delay, limit or terminate our business operations and lose our NASDAQ listing.

Our limited operating history makes evaluation of our business difficult.

We commenced business operations in 2010 and are continuing to develop our technologies and to implement our business plan. Our ability to implement a successful business plan remains unproven, and there is no assurance that we will ever generate sufficient revenues to sustain our business. Our relatively short operating history, together with the other risks discussed in this “Risk Factors” section, may make it difficult for you to evaluate our business in connection with making a decision about whether to invest in our securities.

We face the risks normally associated with a new business.

We face all of the risks inherent in a new business, including the expenses, difficulties, complications and delays frequently encountered in connection with conducting new operations and efforts to develop and commercialize technologies. These uncertainties include developing our technologies and our brand name, raising capital to meet our working capital requirements and developing a customer base, among others. If we are not effective in addressing these risks, we will not be able to operate profitably in the future, and we may not have adequate working capital to meet our obligations as they become due.

Our business may be adversely affected by a global economic downturn.

Any economic downturn generally could cause a drop in government spending and business investment, which could have a material adverse effect on our business. Further, as a result of the current global economic situation, there may be a disruption or delay in performance by our third-party contractors and suppliers. If such third parties are unable to adequately satisfy their contractual commitments to us in a timely manner, our business could be adversely affected.

We could incur significant damages if we are unable to adequately discharge our contractual obligations.

Our failure to comply with contract requirements or to meet our clients' performance expectations on a contract could materially and adversely affect our financial performance and our reputation. This, in turn, would impact our ability to compete for new clients and contracts. Our failure to meet contractual obligations could also result in substantial actual and consequential damages under the terms of such contracts. In addition, some of our contracts require us to indemnify clients for our failure to meet performance standards and/or contain liquidated damages provisions and financial penalties related to performance failures. Although we do have liability insurance, the policy limits may not be adequate to provide protection against all such potential liabilities.

Some of our clients may terminate our contracts prior to completion, which could result in revenue shortfalls and reduce profitability or cause losses on contracts.

Our small number of our contracts with clients contain initial or base periods of one or more years, as well as option periods typically covering more than one-half of the contract's initial duration. However, such clients are under no obligation to exercise the option to extend the contract term. The profitability of some of our contracts could be adversely impacted if such options are not exercised and the contract term is not extended accordingly. Additionally, our contracts contain provisions permitting a client to terminate the contract on short notice, with or without cause. The unexpected termination of significant contracts could result in significant revenue shortfalls. If revenue shortfalls occur and are not offset by corresponding reductions in expenses, our business could be adversely affected. We cannot anticipate if, when or to what extent a client might terminate its contracts with us.

We are subject to government audits, and our failure to comply with applicable laws, regulations and standards could subject us to civil and criminal penalties and administrative sanctions.

The government agencies we contract with have the authority to audit and investigate our contracts with them. As part of that process, a government agency may review our performance on a contract, our pricing practices, our cost structure and our compliance with applicable laws, regulations and standards. If the agency determines that we have improperly allocated costs to a specific contract, we will not be reimbursed for those costs and we will be required to refund the amount of any such costs that have been previously reimbursed. If a government audit identifies improper activities by us or we otherwise determine that these activities have occurred, we could be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, forfeitures of profits, suspension of payments, fines and suspension or disqualification from doing business with the government. Any adverse determination could adversely impact our ability to bid for Request for Proposals ("RFPs") in one or more jurisdictions.

We may not be able to effectively control and manage our growth, which would negatively impact our operations.

We have operated our current line of business for approximately nine years, and we expect to grow in the near future as our business develops and becomes established. If our business grows as we anticipate, it will be necessary for us to manage our expansion in an orderly fashion. Any significant growth in our activities or in the market for our services will require extension of our managerial, operational, marketing and other resources. Future growth will also impose significant additional responsibilities upon the members of management to identify, recruit, maintain, integrate, and motivate new employees. Our failure to manage growth effectively may lead to operational inefficiencies that will have a negative effect on our profitability. Additionally, if our growth comes at the expense of providing quality service and generating reasonable profits, our ability to successfully bid for contracts and our profitability will be adversely affected. We cannot assure investors that we will be able to effectively manage any future growth we may experience.

Failure to obtain adequate insurance coverage could put us at risk for uninsured losses.

Some or all of our customers may require insurance as a requirement to conduct business with us. Although we currently have liability insurance, we may be unable to obtain or maintain adequate liability insurance on acceptable terms, if at all, and there is a risk that our insurance will not provide adequate coverage against our potential losses. Additionally, there are certain types of losses that may not be insurable at a cost that we can afford, and insurance may not be available at any cost with respect to certain losses. Claims or losses in excess of any insurance coverage we may obtain, or the lack of insurance coverage, could put us at risk of loss for any uninsured loss, which would have a material adverse effect on our business and financial condition.

We are dependent on our Executive Chairman, President and Chief Executive Officer and other key personnel, and the loss of any of these individuals could harm our business.

We depend on Mark Rupert, our Executive Chairman, John Rice, our President and Chief Executive Officer, as well as key scientific and other personnel. The loss of any of these individuals could harm our business and significantly delay or prevent the achievement of our business objectives. In addition, our delivery of services will be labor-intensive: when we are awarded a contract, we may need to quickly hire project leaders and project management personnel. The additional staff may also create a concurrent demand for increased administrative personnel. The success of our business will require that we attract, develop, motivate and retain:

- experienced and innovative executive officers;
- senior managers who have successfully managed or designed programs in the public sector; and
- information technology professionals who have designed or implemented complex information technology projects.

Innovative, experienced and technically proficient individuals are in great demand and are likely to remain a limited resource. We may be unable to continue to attract and retain desirable executive officers, senior managers, and technology professionals. Our inability to hire sufficient personnel on a timely basis or the loss of significant numbers of executive officers and senior managers could adversely affect our business.

We may be dependent on cash flow and payments from customers in order to meet our expense obligations.

A number of factors may cause our revenues, cash flow and operating results to vary from quarter to quarter, including the following:

- the progression of contracts;

- the commencement, completion or termination of contracts during any particular quarter;
- the schedules of government agencies and large multinational corporations for awarding contracts;
- the failure of our customers to fulfill their obligations under contracts with us; and
- the term of awarded contracts and potential acquisitions.

Changes in the volume of activity and the number of contracts commenced, completed or terminated during any quarter may cause significant variations in our cash flow from operations because a significant portion of our expenses are fixed. Fixed expenses include, rent, payroll, insurance, employee benefits, taxes and other administrative costs and overhead. Moreover, we expect to incur significant operating expenses during the start-up and early stages of large contracts and typically do not receive corresponding payments in that same quarter.

We may make acquisitions in the future that we are unable to effectively manage given our limited resources.

We may choose to grow our business by acquiring other entities. We may be unable to manage businesses that we have acquired or to integrate them successfully without incurring substantial expenses, delays or other problems that could negatively impact our results of operations. Moreover, business combinations involve additional risks, including:

- diversion of management's attention;
- loss of key personnel;
- our becoming significantly leveraged as a result of the incurrence of debt to finance an acquisition;
- assumption of unanticipated legal or financial liabilities;
- unanticipated operating, accounting or management difficulties in connection with the acquired entities;
- amortization of acquired intangible assets, including goodwill; and
- dilution to existing stockholders and our earnings per share.

Also, client dissatisfaction or performance problems with an acquired firm could materially and adversely affect our reputation as a whole. Further, the acquired businesses may not achieve the revenues and earnings that we anticipated.

We may be unable to develop or commercialize new and rapidly evolving technologies.

Many of our activities involve developing products or processes that are based upon new, rapidly evolving technologies. The ability to commercialize or further develop these technologies could fail for a variety of reasons, both within and outside of our control.

We may be unable to protect our intellectual property rights.

Our success in part depends on the ability to protect our intellectual property and proprietary technology. To do so, we will be required to prosecute patent applications and maintain patents, obtain new patents and pursue trade secret and other intellectual property protection. We filed thirty-three foreign and U.S. patent applications pertaining to our IPQA® technology and rapid qualification of additive manufacturing for metal parts. We have been awarded eleven U.S. patents. However, the efforts we have taken to protect our proprietary rights may not be sufficient or effective. There can be no assurance that our program for protection of intellectual property and proprietary technology will be sufficient to protect our intellectual property and proprietary technology from competitors. Our business is also subject to the risk that our issued patents will not provide us with significant competitive advantages if, for example, a competitor was to independently develop or obtain similar or superior technologies. In addition, our issued patents may be challenged or infringed upon by third parties. The enforcement of intellectual property rights is subject to considerable uncertainty and can be expensive and time-consuming. Patent reform laws and court decisions interpreting such laws, may create additional uncertainty around our ability to obtain and enforce patent protection. Any significant impairment of our intellectual property rights could harm our business and our ability to compete. The unauthorized use of our intellectual property could make it more expensive to do business and harm our operating results. Proprietary trade secrets and unpatented know-how are also very important to our business; however, trade secrets are difficult to protect. Our employees, consultants, contractors, outside scientific collaborators and other advisors may unintentionally or willfully disclose our confidential information to competitors, and confidentiality agreements may not provide an adequate remedy in the event of unauthorized disclosure of confidential or proprietary information.

We may be sued by third parties who claim that we have infringed their intellectual property rights.

We may be exposed to future litigation by third parties based on claims that our research, development and commercialization activities infringe the intellectual property rights of third parties to which we do not hold licenses or other rights, or that we have misappropriated the trade secrets of others. Any litigation or claims against us, whether or not valid, could result in substantial costs, and could place a significant strain on our financial and human resources. In addition, if successful, such claims could cause us to pay substantial damages. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation.

Our services are subject to government regulation, changes in which may have an adverse effect on us.

Our business activities subject us to a variety of federal, state and local laws and regulations. For example, we could be required to comply with applicable provisions of the International Traffic in Arms Regulations (“ITAR”), as well as other export controls and laws governing the manufacture and distribution of munitions technology. Changes in the laws and regulations applicable to our business activities may have an adverse effect on our operations and profitability by making it more expensive and less profitable for us to do business. Additionally, the market for our services depends largely on federal and state legislative programs. These programs can be modified or amended at any time by acts of federal and state governments. Further, if additional programs are not proposed or enacted, or if previously enacted programs are challenged, repealed or invalidated, our growth strategy could be adversely impacted.

Our bylaws contain provisions indemnifying our officers and directors against all costs, charges, and expenses incurred by them.

Our Bylaws contain provisions with respect to the indemnification of our officers and directors against all costs, charges and expenses actually and reasonably incurred by an officer or director paid to settle an action or satisfy a judgment in a civil, criminal or administrative action or proceeding to which he is made a party by reason of being or having been one of our directors or officers. To the extent that our directors’ and officers’ insurance policy does not provide reimbursement for such costs, charges, expenses and other amounts, we may incur substantial expenses in satisfying our indemnification obligations.

Our operating costs could be significantly higher than we expect, and this could reduce our future profitability.

In addition to general economic conditions, market fluctuations and international risks, significant increases in operating, development and implementation costs could adversely affect us due to numerous factors, many of which are beyond our control.

A cyber incident could result in information theft, data corruption, operational disruption and/or financial loss.

Businesses have become increasingly dependent on digital technologies to conduct day-to-day operations. At the same time, cyber incidents, including deliberate attacks or unintentional events, have increased. A cyber-attack could include gaining unauthorized access to digital systems for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption or result in denial of service on websites. We depend on digital technology, including information systems and related infrastructure, to process and record financial and operating data, and communicate with our employees and business partners. Our technologies, systems, networks, and those of our business partners may become the target of cyber-attacks or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of proprietary and other information, or other disruption of our business operations. Although to date we have not experienced any losses relating to cyber-attacks, there is no assurance that we will not suffer such losses in the future. As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities.

Our results of operations may be negatively impacted by the coronavirus outbreak.

In December 2019, the 2019 novel coronavirus surfaced in Wuhan, China. The World Health Organization declared a global emergency on January 30, 2020, with respect to the outbreak and several countries, including the United States have initiated travel restrictions, and residents of several territories are currently under so-called Stay-at-Home orders. The impacts of the outbreak are unknown and rapidly evolving.

A widespread health crisis could adversely affect the global economy, resulting in an economic downturn that could impact demand for our technology and products. To date the outbreak has not had a material adverse impact on our operations. However, the future impact of the outbreak is highly uncertain and cannot be predicted and there is no assurance that the outbreak will not have a material adverse impact on the future results of the Company. The extent of the impact, if any, will depend on future developments, including actions taken to contain the coronavirus.

Risks Related to Our Securities

The price of our securities could be subject to volatility related or unrelated to our operations, which could result in substantial losses for our stockholders.

Between January 1, 2019 and December 31, 2019, the trading price of our common stock has ranged from a low of \$5.00 to a high of \$24.10 and could be subject to wide fluctuations in the future in response to various factors, some of which are beyond our control. The trading price of the warrants that we issued in our recent public offering could be subject to similar fluctuations as a result of such factors. These factors include those discussed previously in this “Risk Factors” section and others, such as:

- delays or failures in the commercialization of our current or future products and services;
- quarterly variations in our results of operations or those of our competitors;
- changes in our earnings estimates or recommendations by securities analysts or adverse publicity about us or our products or services;
- announcements by us or our competitors of new products and services, significant contracts, commercial relationships, acquisitions or capital commitments;
- adverse developments with respect to our intellectual property rights;
- commencement of litigation involving us or our competitors;
- any major changes in our board of directors or management;
- market conditions in our industry; and
- general economic conditions in the United States and abroad.

In addition, the stock market, in general, may experience broad market fluctuations, which may adversely affect the market price or liquidity of our securities.

We could be subject to securities class action litigation.

Any sudden decline in the market price of our securities could trigger securities class action lawsuits against us. If any of our stockholders were to bring such a lawsuit against us, we could incur substantial costs defending the lawsuit and the time and attention of our management would be diverted from our business and operations. We also could be subject to damages claims if we are found to be at fault in connection with a decline in our market price of our securities.

An active trading market in our securities may not develop, and you may therefore have difficulty selling your securities at a price that you determine is satisfactory.

Although our common stock and the 2017 warrants are listed on The NASDAQ Capital Market, our common stock and warrants trade infrequently and in low volumes. There is no assurance that such securities will trade in the public market at or above a price that you consider acceptable. Furthermore, there is no assurance that an active trading market for any of our securities will develop or be sustained. If an active market for our securities does not develop or is not maintained, it may be difficult for you to sell your securities when you wish to sell them or at a price that you consider satisfactory. An inactive trading market may also impair our ability to raise capital to continue to fund operations by selling securities and may impair our ability to acquire other companies or technologies by using our securities as consideration.

There is no assurance that we will satisfy the continued listing requirements of The NASDAQ Capital Market.

We cannot assure you that we will be able to satisfy or regain compliance with the continued listing requirements of The Nasdaq Capital Market. For example, there is no assurance that we will be able to satisfy all of the quantitative continued listing requirements, including the minimum stockholders' equity requirement of at least \$2,500,000 for continued listing on The Nasdaq Capital Market. On April 8, 2019, Nasdaq notified us that we did not comply with the minimum \$2,500,000 stockholders' equity requirement for continued listing on The Nasdaq Capital Market under Nasdaq Listing Rule 5550(b)(1). In our Form 8-K filed on September 4, 2019, we disclosed that we had regained compliance with such rule as a result of our August 2019 underwritten public offering. On October 8, 2019, we received a letter from Nasdaq notifying us that, as a result of such offering, Nasdaq determined that we were in compliance with the minimum \$2,500,000 stockholders' equity requirement for continued listing on The Nasdaq Capital Market under Nasdaq Listing Rule 5550(b)(1), but that if we do not demonstrate continued compliance with such rule as of December 31, 2019, the Company's common stock may be subject to delisting. On January 7, 2020, we received a letter from Nasdaq notifying the Company that we are no longer in compliance with the minimum stockholders' equity requirement for continued listing on the Nasdaq Capital Market. On February 4, 2020 we submitted to Nasdaq our plan to regain compliance. On March 18, 2020, we received a letter from Nasdaq notifying us that our plan was accepted. Accordingly, the Company must provide an update to Nasdaq by April 15, 2020 regarding the status of any exercises of warrants issued in the January 2020 private placement, and by June 30, 2020, the Company must evidence compliance with the stockholders' equity requirement. There can be no assurance that the Company will be able to regain compliance. If the Company does not evidence compliance by June 30, 2020, or if the Company fails to satisfy another Nasdaq requirement for continued listing, Nasdaq could provide notice that the Company's common stock will become subject to delisting. In such event, Nasdaq rules would permit the Company to appeal the decision to reject the Company's proposed compliance plan or any delisting determination to a Nasdaq Hearings Panel. If our securities are de-listed from The Nasdaq Capital Market, our stockholders could incur material adverse consequences such as reduced liquidity for their securities and reduced market prices for their securities. Following such de-listing, we could encounter increased difficulty in issuing additional securities at an attractive price, or at all, in order to fund our operations.

You may experience additional dilution as a result of future equity offerings.

In order to raise additional capital, we may in the future offer additional shares of our common stock or other securities convertible into or exchangeable for our common stock. The price per share at which we sell additional shares of our common stock, or securities convertible or exchangeable into common stock, in future transactions may be lower than the price per share that you paid for our common stock.

We have broad discretion in the use of the net proceeds of our recent public and private offerings and may not use them effectively.

We intend to use our cash for the development of our products and services. Our management has broad discretion in the use of cash and will have the right to use our cash in ways that differ substantially from our current plans. Management may spend our cash in ways that do not improve our results of operations or enhance the value of our securities. The failure by management to apply funds effectively could result in financial losses that could have a material and adverse effect on our business and cause the market price of our securities to decline.

We do not intend to pay dividends on our common stock, and your ability to achieve a return on your investment will depend on appreciation in the market price of our securities.

We currently intend to invest our future earnings, if any, to fund our growth and not to pay any cash dividends on our common stock. Since we do not intend to pay dividends, your ability to receive a return on your investment will depend on any future appreciation in the market price of our securities. There is no assurance that our securities will appreciate in price.

If securities or industry analysts do not publish research or reports about us, or if they issue adverse or misleading opinions regarding us or our securities, the market price of our securities and their trading volume could decline.

If we do not obtain and maintain research coverage by securities and industry analysts, the market price for our securities may be adversely affected. The market price of our securities also may decline if any analyst who covers us issues an adverse or erroneous opinion regarding us, our business model, our intellectual property or our performance. If one or more analysts cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause the market price of our securities and their trading volume to decline and possibly adversely affect our ability to engage in future financings.

Sales of a substantial number of shares of our common stock in the public market could cause our stock price to fall.

Sales of a substantial number of shares of our common stock in the public market could occur at any time. These sales, or the perception in the market that the holders of a large number of shares intend to sell shares, could reduce the market price of our common stock. As of December 31, 2019, we had 1,403,759 outstanding shares of common stock. Sales of a large number of the shares described in the preceding sentence or upon exercise of our outstanding warrants and stock options, or the perception that a large number of shares may be sold, could have a material adverse effect on the trading price of our common stock. On January 27, 2020, we entered into a Securities Purchase Agreement (the "SPA") with certain institutional investors (the "Institutional Private Placement"). Pursuant to the SPA, we issued and sold 1,640 shares of the Company's Series D Convertible Preferred Stock, warrants to purchase 779,600 shares of the Company's Common Stock (the "Common Warrants") and warrants to purchase 6,156 shares of the Series D Preferred Stock (the "Preferred Warrants"). The Series D Preferred Stock has an initial stated value of \$1,000 per share (the "Stated Value"). Dividends at a dividend rate of 9% per annum of Stated Value will accrue and, on a monthly basis, will be payable in kind by the increase of the Stated Value of the Series D Preferred Shares by such amount. The holders of the Series D Preferred Shares will have the right to convert the Series D Preferred Shares (including, without limitation, make-whole dividends (the amount of any dividends that, but for the conversion, would have accrued at the dividend rate for the period through the third anniversary of the initial issuance date)) into shares of the Company's Common Stock (the "Conversion Shares") at the conversion price then in effect (initially \$10.00). A holder may at any time convert the Series D Preferred Shares at an alternative conversion price, equal to the lower of the applicable conversion price then in effect, and the greater of (x) \$1.80 and (y) 85% of the average volume weighted average price ("VWAP") of our Common Stock for a five (5) trading day period prior to such conversion. The initial exercise price of the Common Warrants is \$10.00. The Preferred Warrants have a term of one year from the date that the securities referenced in the SPA become fully tradeable. We have the right to force the exercise of up to 512 Preferred Warrants subject to certain equity conditions, which would result in gross proceeds to us of approximately \$500,000. The initial exercise price for the Preferred Warrants is \$975 per share.

As a result of the Institutional Private Placement, if all the Series D Preferred Shares are converted at the lowest possible conversion price (\$1.80) and all the Common Warrants are exercised at the initial exercise price of \$10.00 per share, we will be obligated to issue an aggregate of 6,280,111 shares. A registration statement covering the resale of such shares has been declared effective, and, as of March 20, 2020, 217,667 shares have been issued pursuant to the conversion of Series D Preferred Shares and sold into the public market. We anticipate that the holders of the Series D Preferred Shares will continue to convert their preferred shares and publicly sell the resulting common shares which will likely put pressure on the market price of our stock. Concurrently with the Institutional Private Placement, we also sold 333.33 shares of our Series E Preferred Stock and warrants to purchase 48,544 shares of our common stock. The Series E Preferred Stock is initially convertible into 48,544 shares of Common Stock. We also issued to Dawson James Securities, Inc. our placement agreement in these private placements, warrants to purchase up to 17,004 shares of our common stock.

We will incur significant costs to ensure compliance with U.S. and NASDAQ reporting and corporate governance requirements.

We incur significant costs associated with our public company reporting requirements and with applicable U.S. and NASDAQ corporate governance requirements, including requirements under the Sarbanes-Oxley Act of 2002 and other rules implemented by the SEC and NASDAQ. These applicable rules and regulations also make it more difficult and more expensive for us to obtain director and officer liability insurance and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be difficult for us to attract and retain qualified individuals to serve on our board of directors or as executive officers.

If we fail to maintain effective internal control over financial reporting, the market price of our securities may be adversely affected.

As a public reporting company, we are required to establish and maintain effective internal control over financial reporting. Failure to establish such internal control, or any failure of such internal control once established, could adversely impact our public disclosures regarding our business, financial condition or results of operations. Any failure of our internal control over financial reporting could also prevent us from maintaining accurate accounting records and discovering accounting errors and financial frauds.

Rules adopted by the SEC pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 require annual assessment of our internal control over financial reporting. The standards that must be met for management to assess the internal control over financial reporting as effective are complex, and require significant documentation, testing and possible remediation to meet the detailed standards. We may encounter problems or delays in completing activities necessary to make an assessment of our internal control over financial reporting. If we cannot assess our internal control over financial reporting as effective, investor confidence and share value may be negatively impacted. In addition, management's assessment of internal control over financial reporting may identify weaknesses and conditions that need to be addressed in our internal control over financial reporting or other matters that may raise concerns for investors. Any actual or perceived weaknesses and conditions that need to be addressed in our internal control over financial reporting (including those weaknesses identified in our periodic reports), or disclosure of management's assessment of our internal control over financial reporting may have an adverse impact on the price of our securities.

Provisions in our articles of incorporation and bylaws could discourage a takeover that stockholders may consider favorable and may lead to entrenchment of management.

Our articles of incorporation and bylaws contain provisions that could delay or prevent changes in control or changes in our management without the consent of our board of directors. These provisions include the following:

- a classified board of directors with three-year staggered terms, which may delay the ability of stockholders to change the membership of a majority of our board of directors;
- no cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;
- the exclusive right of our board of directors to elect a director to fill a vacancy created by the expansion of the board of directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors;
- the ability of our board of directors to authorize the issuance of additional shares of preferred stock and to determine the terms of those shares, including preferences and voting rights, without stockholder approval, which could adversely affect the rights of our common stockholders or be used to deter a possible acquisition of our company;
- the ability of our board of directors to alter our bylaws without obtaining stockholder approval;
- the required approval of the holders of at least two-thirds of the shares entitled to vote at an election of directors to adopt, amend or repeal our bylaws or repeal the provisions of our articles of incorporation and bylaws regarding the election and removal of directors;
- a prohibition on stockholder action by written consent, which forces stockholder action to be taken at an annual or special meeting of our stockholders;
- the requirement that a special meeting of stockholders may be called only by the chairman of the board of directors, the chief executive officer, the president or the board of directors, which may delay the ability of our stockholders to force consideration of a proposal or to take action, including the removal of directors; and
- advance notice procedures that stockholders must comply with in order to nominate candidates to our board of directors or to propose matters to be acted upon at a stockholders' meeting, which may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of us.
- the ability of our directors to issue one or more series of preferred stock with dividend, liquidation, conversion, voting or other rights which would dilute the interest of or impair the voting power of our common stockholders.

These provisions could inhibit or prevent possible transactions that some stockholders may consider attractive.

We recently issued Series D and Series E Preferred Stock and could issue one or more additional series of shares of preferred stock with the effect of diluting existing stockholders and impairing their voting and other rights.

As indicated above, we have recently completed the sale of shares of our Series D and Series E Preferred Stock together with warrants to purchase our common stock and additional shares of our Series D Preferred Stock. In addition to the possible negative effect on the market price of our common shares resulting from the public sale or perceived sale of common shares issuable upon conversion or exercise of these securities, the Certificate of Designations for the Series D Preferred Stock provides that upon occurrence of certain triggering events described in the Certificate, including but not limited to, payment defaults, breaches of the transaction documents pertaining to the Series D Preferred Stock and failure to maintain listing on the NASDAQ Capital Market, the Series D Preferred Shares would become subject to redemption, at the option of the holder, at a 125% premium to the underlying value of the Series D Shares being redeemed. Any redemption would require a significant cost outlay by us.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

Not applicable.

ITEM 2. PROPERTIES.

We lease approximately 3,900 square feet of space at 3900 Paseo del Sol, Santa Fe, New Mexico 87507, including 1,945 square feet of office space at units, C-14, C-15, C-16, C-17, C-18 C-20,C-21 and D-34 for a total monthly rent expense of approximately \$4,240 under the lease, and 1,927 square feet of warehouse / production space at units E-38, E-40 and E-42, for a total monthly rent expense of approximately \$2,275 under the lease. The leases expire on July 31, 2020, except for unit C-18 which expires on May 31, 2020. We believe that our facilities are suitable for our current needs, but we are evaluating the need for a larger space as we grow.

ITEM 3. LEGAL PROCEEDINGS.

We are not currently a party to any legal proceedings. However, we may occasionally become subject to legal proceedings and claims that arise in the ordinary course of our business. It is impossible for us to predict with any certainty the outcome of pending disputes, and we cannot predict whether any liability arising from pending claims and litigation will be material in relation to our financial position or results of operations.

ITEM 4. MINE SAFETY DISCLOSURES.

Not Applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Market Information

Our common stock was quoted for trading on the OTCQB under the symbol "SGLB" prior to February 15, 2017, when our common stock began trading on The NASDAQ Capital Market under the symbol "SGLB."

Shareholders

As of March 20, 2020, there were approximately 533 holders of record of our common stock based on information provided by our transfer agent.

Dividends

We have not paid any dividends on our common stock to date and do not anticipate that we will pay dividends in the foreseeable future. Any payment of cash dividends on our common stock in the future will be dependent upon the amount of funds legally available, our earnings, if any, our financial condition, our anticipated capital requirements and other factors that the board of directors may think are relevant. However, we currently intend for the foreseeable future to follow a policy of retaining all of our earnings, if any, to finance the development and expansion of our business and, therefore, do not expect to pay any dividends on our common stock in the foreseeable future. However, we have paid dividends on our preferred stock pursuant to an agreement with investors and may do so in the future pursuant to future financing agreements, if any. Pursuant to the Series D Preferred Stock Certificate of Designations, the Company may not declare or pay any cash dividend or distribution on any of its capital stock, other than as required by the Certificate of Designations.

Recent Sales of Unregistered Securities

Not applicable.

Repurchase of Shares

We did not repurchase any of our securities during the fiscal year ended December 31, 2019.

ITEM 6. SELECTED FINANCIAL DATA.

Not applicable to a “smaller reporting company” as defined in Item 10(f)(1) of SEC Regulation S-K.

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

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 Financial Statements included in this Annual 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

Year Ended December 31, 2019 Compared to the Year Ended December 31, 2018.

We expect to generate revenue primarily by selling and licensing our IPQA technologies, selling technical support services, and selling specialty parts and studies to businesses that seek to improve their manufacturing production processes and production-run quality yields. Our ability to generate revenues in the future will depend on our ability to further commercialize and increase market presence of our PrintRite3D® technologies, and it will depend on if key prospective customers continue to move from AM metal prototyping to production.

During the fiscal year ended December 31, 2019 (“fiscal 2019”), we generated an aggregate of \$402,446 in revenues, as compared to an aggregate of \$388,574 in revenues generated by us in the fiscal year ended December 31, 2018 (“fiscal 2018”). The primary contributor to the \$13,872 increase was an increase in new PrintRite3D® 5.0 system sales of \$145,097 partially offset by decreases in contract AM service sales and government program work of \$78,387 and \$51,000, respectively. Our cost of revenue for fiscal 2019 was \$574,301 compared to \$270,107 during the same period in 2018, an increase of \$304,194. The increase is primarily due to increased PrintRite3D® 5.0 system sales, and additional travel and labor costs associated with the on-site and remote collaboration involved in the Company’s Rapid Test and Evaluation program.

Sigma's total operating expenses for fiscal 2019 were \$6,211,830 as compared to \$5,687,271 for fiscal 2018, a \$524,559 increase.

In fiscal 2019, salaries and benefits costs were \$2,354,329 as compared to \$2,056,584 for the same period in 2018. The \$297,745 increase resulted primarily from the addition of six employees between the third quarter of 2018 and December of 2019.

Stock-based compensation for fiscal 2019 was \$797,238 compared to \$1,145,530 for the same period in 2018. This \$348,292 decrease resulted primarily due to the vesting of options granted to our former CEO in connection with his amended employment agreement in 2018.

During fiscal 2019, Sigma incurred research and development expenditures of \$647,994 compared to \$493,410 in the same period of 2018. The \$154,584 increase resulted from an increase in purchases of component parts, upgraded servers and specialized equipment plus an increase in software and algorithm consultant costs as part of our continued concentrated acceleration of technology development and enhancements to our PrintRite3D® 5.0 product suite.

Sigma's public company and investor relation fees incurred in fiscal 2019 were \$703,710 compared to \$633,035 in fiscal 2018. The increase in the comparative expenditures results primarily from shares of common stock issued to our new investor relations firm of \$17,110 and an increase in advertising expenses of \$80,450, due to enhancements to marketing programs and materials, website redesign and upgrades, and advertisements in trade publications

Legal and professional service fees paid in fiscal 2019 were \$664,403 compared to \$564,854 paid in fiscal 2018. The increase of \$99,549 is primarily attributable to an increase in consulting fees due to the addition of an engineering consultant and an investor relations consultant in 2019.

During fiscal 2019, Sigma's office expenses were \$692,881 compared to \$466,657 in the same period of 2018. The \$226,224 increase in these expenditures resulted primarily from \$57,039 in additional office space rent and supplies costs related to the aforementioned addition of six employees, and from \$92,679 of additional travel expenses in 2019 related to both a more aggressive outreach to prospective OEM, service bureau and end user customers and our continued expansion into the European market. Further contributing to this increase is the amortization of our prepaid three-year membership in the UK's National Center for Additive Manufacturing ("NCAM") of \$52,000 during fiscal 2019.

In fiscal 2019, our net other income & expense was net income of \$62,836 compared to net expense of \$5,359 in 2018. The 2019 net income was comprised of incentives from the State of New Mexico of \$51,887 and net interest income of \$18,761, partially offset by interest expense of \$8,865. The 2018 expense was comprised of a \$36,733 loss on disposal of assets, partially offset by interest income of \$35,178.

Sigma's net loss for fiscal 2019 increased \$746,686 overall and totaled \$6,320,849, as compared to a net loss of \$5,574,163 for fiscal 2018. The 2019 net operating loss component of the overall loss being \$814,881 higher than in 2018 and the other income and expenses component being a \$68,195 lower loss.

Liquidity and Capital Resources

As of December 31, 2019, we had \$86,919 in cash and a working capital deficit of \$98,315, as compared to \$1,279,782 in cash and a working capital surplus of \$1,052,017 as of December 31, 2018. On January 27, 2020, the Company closed a private offering of equity securities resulting in net proceeds of approximately \$1,711,124 after deducting commissions and other offering expenses payable by the Company.

Our major sources of funding have been proceeds from public and private offerings of our equity securities (both common stock and preferred stock), and from warrant exercises. On April 6, 2018, the Company closed a private placement of equity securities resulting in net proceeds of approximately \$920,000, after deducting commissions and other offering expenses payable by the Company. On June 26, 2018, the Company closed a public offering of equity securities resulting in net proceeds of approximately \$2,139,000, after deducting commissions and other offering expenses payable by the Company. On March 15, 2019, the Company closed a public offering of equity securities resulting in net proceeds of approximately \$1,679,230 after deducting commissions and other offering expenses payable by the Company. In May 2019, the Company closed a private placement of equity securities resulting in net proceeds of approximately \$515,000, after deducting placement agent commissions and other offering expenses payable by the Company. In August 2019, the Company closed a public offering of equity securities resulting in net proceeds of approximately \$1,971,000, after deducting placement agent commissions and other offering expenses payable by the Company. In September 2019, Aegis Capital Corp. partially exercised its over-allotment option granted by the Company in the foregoing August 2019 public offering, resulting in net proceeds of \$148,800 after deducting placement agent commissions. In January 2020, we completed two private placements consisting of shares of our newly created Series D and Series E Preferred Stock, warrants to purchase additional shares of Series D Preferred Stock and warrants to purchase shares of our Common Stock resulting in net cash proceeds to us of approximately \$1,711,124. Subject to the satisfaction of certain equity conditions, we have the right to force the exercise of a portion of the warrants to purchase our Series D Preferred Stock which will result in gross cash proceeds of \$500,000. Additionally, if all of the remaining warrants to purchase shares of Series D Preferred Stock and Common Stock are exercised by the holders thereof, the potential gross cash proceeds to us will be \$13,298,100. Depending on the amount, if anything, we receive from such exercises and the timing thereof, and the amount of revenues we are able to generate, we may need to raise additional amounts to fund our operations, maintain compliance with the NASDAQ listing requirements and implement our business plan. There is no assurance as to the amount and availability of any required future financing or the terms thereof. Such financing, if in the form of equity, may be highly dilutive to our existing stockholders and may otherwise include onerous terms. If in the form of debt, such financing may include covenants and repayment obligations which may be difficult to meet and that could adversely affect our business operations. There is also significant uncertainty from the affect that the novel coronavirus may have on the availability and type of financing. To the extent that funds are not available to us, we may be required to delay, limit or terminate our business operations and lose our NASDAQ listing.

During 2020, we expect to sustain our operations and our commercialization and marketing efforts without material increase in our cash burn rate. We expect that enhancements of our IPQA®-enabled PrintRite3D® technology that were developed in fiscal 2018 and 2019 and brought to market tests and evaluations, commencing in January 2019 and then enhanced with version 5.0 in May 2019 will enable us to commercialize this technology into the AM metal market in 2020. To support the commercialization of our PrintRite3D® technology, we plan to continue funding our development activities and operating expenses by licensing our PrintRite3D® systems and supporting field services, as applicable, and providing PrintRite3D®-enabled engineering consulting services concerning our areas of expertise (materials and manufacturing quality assurance and process control technologies) and through the use of proceeds from sales of our securities.

Net Cash Used in Operating Activities

Net cash used in operating activities in 2019 increased to \$5,514,805 from \$3,762,971 in 2018 which is an increase in cash used of \$1,751,834. This increase is primarily attributable to: (1) an increase in our net loss of \$747,686; (2) lower stock-based compensation expense of \$348,292 due to the vesting of options granted to our previous CEO in 2018; (3) an increase in prepaid expenses of \$184,472 primarily as a result of our three-year membership in the UK's National Centre for Additive Manufacturing ("NCAM"), and (4) an increase in inventory of \$333,788 due to the growth of our RTE program in 2019.

Net Cash Used/Provided by Investing Activities

Net cash used by investing activities during fiscal 2019 was \$85,798, which compares to cash provided by investing activities during the same period of 2018 totaling \$403,672. The decrease is primarily due to the receipt of cash from loan repayments in 2018 from loans made in 2017.

Net Cash Used/Provided by Financing Activities

Cash provided by financing activities during fiscal 2019 increased to \$4,407,740 from \$3,123,407 during the same period in 2018, an increase of \$1,284,333 as a result of increased net proceeds from our 2019 private and public offerings over 2018.

We have no credit lines as of March 24, 2020, nor have we ever had a credit line since our inception.

Our ability to continue to fund our liquidity and working capital needs will be dependent upon the success of our efforts to generate revenues from existing and future PrintRite3D®-proof-of-concept contracts, follow-on contracts resulting from successful proof-of-concept engagements, possible strategic partnerships, and by obtaining additional capital from the sale of 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. The Company is unable to predict the effect, if any, that the novel coronavirus outbreak may have on its access to the financing markets. 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 and operations.

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(a) of Regulation S-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable to a “smaller reporting company.”

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Financial Statements are referred to in Item 15, listed in the Index to Financial Statements and filed and included elsewhere herein as a part of this Annual Report on Form 10-K.+

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Rule 13a-15(e) under the Exchange Act defines the term “disclosure controls and procedures” as those controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and that such information is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Based upon an evaluation of the effectiveness of our disclosure controls and procedures performed by our management, with the participation of our Chief Executive Officer, and Chief Financial Officer (Principal Financial and Accounting Officer), as of the end of the period covered by this annual report, our management concluded that 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 revenues and employees.

Management’s Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f) under the Exchange Act. Our management, with the participation of our Chief Executive Officer, and Chief Financial Officer, conducted an evaluation of the effectiveness of our control over financial reporting based on the framework in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on management’s evaluation under the framework, management has concluded that our internal control over financial reporting was effective as of December 31, 2019.

We continuously seek to improve and strengthen our control processes to ensure that all of our controls and procedures are adequate and effective. Any failure to implement and maintain improvements in the controls over our financial reporting could cause us to fail to meet our reporting obligations under the SEC’s rules and regulations. Any failure to improve our internal controls to address the weakness we have identified could also cause investors to lose confidence in our reported financial information, which could have a negative impact on the trading price of our common stock.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to SEC rules that permit us to provide only management's report in this annual report.

There have been no changes in our internal controls over financial reporting during the fourth quarter of the year ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

MANAGEMENT

Executive Officers

The following table sets forth the name, age and position of each of our executive officers as of March 20, 2020:

<i>John Name</i>	Age	Position
<i>R i c e</i> was John Rice	73	President and Chief Executive Officer
appointed as a Mark K. Ruport	67	Executive Chairman
director on Frank Orzechowski	60	Chief Financial Officer, Treasurer and Corporate Secretary
February 15, Ronald Fisher	50	Vice President of Business Development
2017 became Darren Beckett	46	Chief Technology Officer
our Chief		

Executive Officer on June 21, 2018 and was appointed as our Chief Executive Officer on October 10, 2018. Additional information regarding Mr. Rice is set forth below under "Board of Directors and Corporate Governance."

Mark Ruport was appointed Executive Chairman on December 3, 2019. Additional information regarding Mr. Ruport is set forth below under "Board of Directors and Corporate Governance."

Frank Orzechowski has served as our Chief Financial Officer, Treasurer, principal accounting officer, principal financial officer and Corporate Secretary since July 1, 2019. Prior to joining the Company, Mr. Orzechowski served as the Chief Financial Officer of StormHarbour Partners LP, an independent global markets and financial advisory firm since September 2013. From May 2013 to August 2013, Mr. Orzechowski served as a contract CFO for Etouches Inc., a cloud-based event management software company, to assist with financial matters in connection with that company's planned equity financing. Prior to that, he served as President and Owner/Operator of Four-O Technologies Inc. from August 2009 to December 2012, where he successfully launched and guided operations for two Cartridge World franchise units in Connecticut. From February 2006 to July 2009, Mr. Orzechowski served as President and Chief Financial Officer of Nikko Americas Holding Company Inc., where he was responsible for managing all of the support and infrastructure for that company's U.S. business, as well as investment manager selection and due diligence functions for its World Series Platform. Mr. Orzechowski began his career at Coopers & Lybrand in 1982, received his CPA certification in 1984 and received his Bachelor of Science in Business Administration with a major in Accounting from Georgetown University in 1982.

Darren Beckett served as our Engineering Manager beginning on September 25, 2017, was appointed as our Vice President of Engineering on June 29, 2018, and had his title changed to Chief Technology Officer of the Company on October 18, 2018. Mr. Beckett has over 20 years of experience in the semiconductor industry, including since 1997 with Intel Corporation at which he held various technical and managerial positions, including process engineer of ion implant charged particle systems, chemical vapor deposition systems, and, since 2008, engineering manager of multiple engineering groups such as rapid thermal anneal, defect metrology equipment and fab environment micro contamination. Mr. Beckett's expertise is in process engineering for advanced manufacturing technology, including statistical process control for fabrication of semiconductor devices. Mr. Beckett serves as an independent director and board member of M&T Foundation, San Diego, California. Mr. Beckett earned a B. Eng. in Mechanical Engineering from University of Limerick, Ireland.

Ronald Fisher was appointed as Vice President of Business Development of Sigma on August 10, 2015 and leads the PrintRite3D® Operating Division. Mr. Fisher is a Mechanical Engineer with hands-on experience in quality, manufacturing, and product development. He has an MBA and has distinguished himself as a lead sales and marketing officer as well as a Chief Operating Officer. He was a Program Manager at Swagelok from 1988-2004, and Vice President and General Manager, Aftermarket and Geometry Systems, at Micropoise Measurement Systems from 2004 until 2013, and a Partner and COO of Laszeray Technology, LLC from 2013 until 2014. Mr. Fisher holds a Bachelor's Degree in Mechanical Engineering Technology from the University of Akron as well as an MBA from Kent State University.

BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

The following table sets forth the names, ages as of March 20, 2020, and certain other information regarding our directors:

Directors	Class	Age	Position	Director Since	Current Term Expires
John Rice	I	73	President and Chief Executive Officer, Director and Chairman of the Board	2017	2021
Mark K. Rupert	I	67	Executive Chairman of the Board	2019	2021
Salvatore Battinelli(1)(2)(3)	II	78	Director	2017	2022
Dennis Duitch(1)(2)(3)	III	75	Director	2017	2020
Kent Summers(1)(2)(3)	III	61	Director	2018	2020

(1) Member of our Audit Committee

(2) Member of our Compensation Committee

(3) Member of our Nominating and Corporate Governance Committee

Directors

John Rice was appointed to our Board of Directors on February 15, 2017, was appointed as Chairman of our Board on April 19, 2017, he was appointed as our interim Chief Executive Officer on July 24, 2017, became our Chief Executive Officer on June 21, 2018 and was appointed as our President on October 10, 2018. Mr. Rice has extensive experience in business operations. In 1990, Mr. Rice founded ASiQ, LLC, a firm specializing in operations management services ranging from launching successful startups and executing business turnarounds to financings, crisis management and the repositioning of enterprises for sale at optimum market prices. Mr. Rice presently serves as ASiQ's CEO and President. He also served as CEO of Coca-Cola Bottling Company of Santa Fe, a client of ASiQ's, from 2009 to 2015. From 2010 to 2012, Mr. Rice served as Director and Contracts Officer of Detector Networks International. Mr. Rice frequently lectures on breakout growth strategies, crisis management, corporate turnarounds, venture capital, and financial structuring and strategies. He has also served on a number of boards. Since 2005, Mr. Rice has served as Director of New Mexico Angels, Inc., a New Mexico based group of accredited individual angel investors. Since 2016, Mr. Rice has served as Director of Akal Security, Inc. He was also a Director of Detector Networks International from 2010-2012, where he successfully negotiated the principal component of a business turnaround for the company. Mr. Rice is an honors graduate of Harvard College.

Our Board of Directors believes that Mr. Rice is qualified to serve as a member of the board because of his broad and deep experience in improving business operations, engineering financial structures that support ongoing needs of operating companies, and building investor and shareholder values.

Salvatore Battinelli was appointed to our Board of Directors on August 16, 2017. Mr. Battinelli is currently the President and Chief Executive Officer of Bello e Preciso Co., a manufacturer and wholesaler of Italian-made fashion watches and has served in those roles since early 2017. Prior to joining Bello e Preciso Co., from 2011 to 2013, Mr. Battinelli served as Vice-President of Development and Long-Term Strategy of North American Management Corporation, a wealth management firm based in Boston, Massachusetts with over \$2 billion in assets under management. From 1987 to 2011, Mr. Battinelli served as Executive Vice-President and acting Chief Executive Officer and Chief Operating Officer of Faneuil Hall Associates, Inc., a concierge boutique family office devoted to five interrelated ultra-high net-worth families. Mr. Battinelli's primary responsibilities while at Faneuil Hall Associates included providing planning and investment advice, the management of approximately 30 asset portfolios and more than 65 individual business entities; and assisting the families in their various business ventures worldwide while working closely with law, accounting and banking functions. During his tenure at Faneuil Hall Associates, Mr. Battinelli served as an executive officer or director for certain of the family owned entities and successfully managed several portfolio company IPOs, as well as serving as CEO and COO for Designhouse International, a Scandinavian furniture company operating out of Atlanta, Georgia, which was previously listed on NASDAQ in 1983.

From 1970 to 1974, Mr. Battinelli served as Audit Manager for Deloitte & Touche (formally Touche Ross), where he specialized in management information systems. From 2002 to 2011, Mr. Battinelli also served as the Chairman of the Board of Directors of HealthLink Europe, BV, a logistics and services company that serves the healthcare industry. Mr. Battinelli is a Certified Public Accountant and received a BS in accounting and an MBA with an emphasis in international economics and accounting, both from Babson College.

Our board of directors believes that Mr. Battinelli is qualified to serve as a member of the board on the basis of his deep understanding of business acquisitions and sales, as well as his background and extensive company management and integration experience.

Mark K. Rupert was appointed as Executive Chairman and as a director on December 3, 2019. Mr. Rupert brings more than 30 years of public and private company experience in the software sector to his position at Sigma Labs. Prior to joining Sigma Labs, Mr. Rupert served since 2010 as the President of Step Function Consulting, LLC, a consulting firm that provides strategic consulting services to early and mid-stage portfolio software companies. Mr. Rupert also served from 2014 to 2017 as the Executive Chairman of the Board of Directors of Content Analyst Company, a leading developer of advanced analytics software for searching and analyzing unstructured text, and before that served as its Vice Chairman from 2012 to 2013. From 2005 to 2009, Mr. Rupert served as the President and Chief Executive Officer of Configuresoft, Inc., a venture-backed Enterprise Systems Management company, where he orchestrated an OEM agreement which later led to its acquisition by EMC Corp. Prior to Configuresoft, Mr. Rupert served from 2004 to 2005 as the Executive Vice President of Worldwide Operations at Stellent, Inc., which was subsequently acquired by Oracle, Inc., and from 1995 to 2005 as the President, Chief Executive Officer and Chairman of the Board of Directors of Optika, Inc., a venture-backed Enterprise Content Management Company that he led through its initial public offering and merger with Stellent, Inc. From 1990 to 1994, Mr. Rupert served as the President and Chief Executive Officer of Interleaf, Inc., a public software company. He also held various senior executive positions from 1985 to 1989 at Informix, Inc., a relational database management system company later acquired by IBM, and from 1985 to 1989 at Cullinet, Inc., a mainframe database management system and enterprise resource planning company later acquired by Computer Associates, Inc. Mr. Rupert received his Bachelor of Science degree and MBA from Bowling Green State University. Mr. Rupert received a Bachelor of Science in Business and an MBA from Bowling Green State University.

Our Board of Directors believes that Mr. Ruport is qualified to serve as a member of the board because of his extensive experience in management and leadership in the technology industry.

Dennis Duitch was appointed to our Board of Directors on August 8, 2017. Mr. Duitch has served as Managing Director of Duitch Consulting Group, a private consulting company, since 2003. Prior to that time, he practiced public accounting, business management, mediation and consultancy nationally, with expertise in strategic and operations management, finance, accounting, strategic planning and business operations for a wide spectrum of companies, including technology, manufacturing and distribution, marketing, real estate, entertainment, and professional practices. He has served in executive officer roles and as a director of public and private companies, not-for-profit organizations, including as Vice-Chairman for Accountants Global Network, and as a top-level advisor for public companies, closely-held businesses, families and high-wealth individuals for over thirty years.

Mr. Duitch began his career with the international CPA firm Grant Thornton in its Chicago, San Francisco and Beverly Hills offices before founding Duitch & Franklin LLP, which evolved to become one of Southern California's largest independent CPA/Business Management/Consultancy practices, and which was acquired by a public company in 1998. He subsequently served as President for a consumer products company with direct responsibility for marketing, retail, and fulfillment operations, until forming Duitch Consulting Group in 2003 to serve clients in advisory, C-level, and board of director roles.

Mr. Duitch is a Certified Family Business and Estate Advisor, and mediator for matters including partner/shareholder agreements and disputes, business and marital property dissolution, and dysfunctional executive teams and boards of directors. He has lectured extensively in management, financial and accounting areas for the California CPA Foundation, business and professional groups, has instructed at several colleges and universities, and has authored technical articles in management and taxation for regional and national publications.

Mr. Duitch earned a B.B.A degree in Accounting from the University of Iowa and a Master of Business Administration in Finance from Northwestern University.

Our Board of Directors believes that Mr. Duitch is qualified to serve as a member of the board because of his extensive public accounting experience, which will assist the Board and the Audit Committee in addressing the numerous accounting-related issues, regulations and SEC reporting requirements to which we are subject, as well as his expertise in business management, finance and strategic planning.

Kent Summers was appointed to our Board of Directors on January 18, 2018. Mr. Summers was also appointed to serve as a member of the Company's Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee.

Mr. Summers currently divides his time among a number of independent activities which focus on early-stage technology company formation and development strategies, and sales planning and execution needs for emerging- and mid-market technology companies located primarily in the Boston metropolitan area, including: management consultant to private and family-owned businesses; volunteer Mentor and Instructor with the Massachusetts Institute of Technology Venture Mentoring Services program; regular lectures on enterprise, business-to-business sales to company founders and students enrolled at the Massachusetts Institute of Technology Sloan School of Management, the Harvard MBA Program, the Wharton School at the University of Pennsylvania, and a number of domestic and international entrepreneurship support organizations; and consultant to Fellows enrolled in the Harvard Advanced Leadership Initiative. Mr. Summers has served in those roles at various times from 2003 to the present. From 2009 to the present, Mr. Summers has served as the non-executive Chairman of CADNexus, Inc., and from 2017 to the present, director and Chairman of the Compensation Committee with iQ3 Connect, Inc. Mr. Summers also currently serves as Chairman, Board of Managers, Massachusetts Materials Technologies LLC.

From 2005 to 2017, Mr. Summers served as Managing Partner at Practical Computer Applications, Inc., a Boston-based database consulting and engineering services firm, where he was responsible for sales planning and execution activities. Prior to Practical Computer Applications, from 2001 to 2005, Mr. Summers provided independent merger & acquisition advisory services to support the sale of privately-owned companies. Over a prior 14-year period, Mr. Summers served in leadership roles at several software and internet start-ups, including: Chairman and CEO of Collego Corporation (acquired by MRO Software), founder and CEO of MyHelpDesk, Inc. (acquired by Support.com), founder of PCMovingVan.com (acquired by a PE firm), and Vice President of Marketing at Electronic Book Technologies, Inc. (acquired by INSO Corporation, formerly listed on Nasdaq).

Prior to the software industry, Mr. Summers served as Technology Analyst at Electronic Joint Venture Partners LLC and Associate Program Trader on the Options Trading Desk at Bear Stearns & Co. In 1986, Mr. Summers received a BA in English from the University of Houston.

Our Board of Directors believes that Mr. Summers is qualified to serve as a member of our Board on the basis of his deep understanding of early-stage business growth strategies, enterprise sales, business acquisitions, as well as his background and extensive company management and leadership experience.

Director Independence

Our Board of Directors currently consists of five members. As a result of his appointment as Chief Executive Officer, Mr. Rice is not considered an independent director. As a result of his appointment as Executive Chairman, Mr. Ruport is also not considered an independent director. Our Board of Directors has determined that our other directors, Salvatore Battinelli, Dennis Duitch and Kent Summers, constituting a majority of our directors, are “independent” as that term is defined under Rule 5605(a)(2) of the NASDAQ marketplace rules. Pursuant to NASDAQ rules, our board must consist of a majority of independent directors.

The NASDAQ independence definition includes a series of objective tests, including that the director is not, and has not been for at least three years, one of our employees and that neither the director nor any of his family members has engaged in various types of business dealings with us. In addition, as required by NASDAQ rules, our Board of Directors has made a subjective determination as to Messrs. Battinelli, Duitch and Summers, our independent directors, that no relationships exists, which, in the opinion of our Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In making these determinations, our Board of Directors reviewed and discussed information provided by the directors and us with regard to each director’s business and personal activities and relationships as they may relate to us and our management. There are no family relationships among any of our directors or executive officers.

Classified Board of Directors

In accordance with our amended and restated bylaws, our Board of Directors is divided into three classes with staggered, three-year terms. At each annual meeting of stockholders, the successors to directors whose terms then expire will be elected to serve from the time of election and qualification until the third annual meeting following election. Our directors are classified as follows:

- the Class I directors are John Rice and Mark Ruport, with terms expiring at our 2021 annual meeting of stockholders;
- the Class II director is Salvatore Battinelli, with a term expiring at our 2022 annual meeting of stockholders; and
- the Class III directors are Dennis Duitch and Kent Summers, with terms expiring at our 2020 annual meeting of stockholders.

Our Board of Directors appointed Mark Ruport as Executive Chairman of the Board on December 3, 2019. Our amended and restated bylaws provide that the authorized number of directors may be changed by resolution of the Board of Directors. Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors. The division of our Board of Directors into three classes with staggered three-year terms may delay or prevent a change of our management or a change in control of our company.

Leadership Structure of the Board

Our directors may be removed with or without cause at any meeting of stockholders by the affirmative vote of the holders of at least two-thirds of our outstanding voting stock entitled to vote in the election of directors. Our amended and restated bylaws provide our Board of Directors with flexibility in its discretion to combine or separate the positions of Chairman of the Board and Chief Executive Officer, if we elect to appoint a Chairman of the Board. Our Board of Directors believes it is important to select the Company's Chairman and Chief Executive Officer in the manner it considers in the best interests of the Company at any given time. Our Board of Directors believes that the Chairman and Chief Executive Officer positions may be filled by one individual or by two different individuals, as determined by our Board of Directors based on circumstances then in existence.

On August 19, 2017, our Board of Directors appointed Mr. Rice as Chairman of the Board. On December 3, 2019, our Board of Directors appointed Mr. Ruport as Executive Chairman of the Board. The Chairman of the Board and the Executive Chairman preside at all meetings of our Board of Directors and exercise and perform such other powers and duties as may be assigned to them from time to time by the Board or prescribed by our amended and restated bylaws. The Chairman of the Board is appointed by our Board of Directors on an annual basis.

Our Board of Directors has no established policy on whether it should be led by a Chairman who is also the Chief Executive Officer, but periodically considers whether combining, or separating, the role of Chairman and Chief Executive Officer is appropriate. At this time, our Board is committed to the combined role given the circumstances of our Company, including Mr. Rice's knowledge of our Company's strategy, and has also determined at this time that having an Executive Chairman together with a Chairman is in the best interest of the Company based on Mr. Ruport's leadership experience in the technology industry. Our Board believes that having a Chairman who also serves as the Chief Executive Officer allows timely communication with our board on company strategy and critical business issues, facilitates bringing key strategic and business issues and risks to the Board's attention, avoids ambiguity in leadership within the Company, provides a unified leadership voice externally and clarifies accountability for Company business decisions and initiatives. However, our Board of Directors continually evaluates our leadership structure and could, in the future, decide to separate the Chairman and Chief Executive Officer positions if it believes that doing so would serve the best interests of our Company and our stockholders.

Board Meetings and Committees

During our fiscal year ended December 31, 2019, the Board of Directors held four meetings, and each director attended at least 75% of the aggregate of (i) the total number of meetings of our Board of Directors held during the period for which he has been a director and (ii) the total number of meetings held by all committees of our Board of Directors on which he served during the periods that he served.

Although we do not have a formal policy regarding attendance by members of our Board of Directors at annual meetings of stockholders, we encourage, but do not require, our directors to attend. Each of our then current directors attended our 2019 Annual Meeting of Stockholders.

Our board has established three standing committees—audit, compensation, and nominating and corporate governance—each of which operates under a written charter that has been approved by our board. Until February 15, 2017, when our common stock became listed on The NASDAQ Capital Market, we were not required to establish or maintain an audit, nominating or compensation committee. Each committee charter has been posted on the Investors section of our website at www.sigmalabsinc.com. The reference to our website address does not constitute incorporation by reference of the information contained at or available through our website, and you should not consider it to be a part of this Annual Report.

Audit Committee

The Audit Committee's responsibilities include:

- appointing, approving the compensation of, and assessing the independence of our registered public accounting firm;
- overseeing the work of our registered public accounting firm, including through the receipt and consideration of reports from such firm;
- reviewing and discussing with management and the registered public accounting firm our annual and quarterly financial statements and related disclosures;
- monitoring our internal control over financial reporting, disclosure controls and procedures;

- establishing procedures for the receipt, retention and treatment of accounting related complaints and concerns;
- meeting independently with our registered public accounting firm and management;
- reviewing and approving or ratifying any related person transactions; and
- preparing the Audit Committee report required by SEC rules.

The members of our Audit Committee are Messrs. Duitch, Battinelli and Summers, and Mr. Duitch serves as the chairperson of the committee. Our Board of Directors has determined that each of Messrs. Duitch, Battinelli and Summers is an independent director under NASDAQ rules and under SEC Rule 10A-3. All members of our Audit Committee meet the requirements for financial literacy under the applicable rules and regulations of the SEC and NASDAQ. Our Board of Directors has determined that each member of our Audit Committee is an “audit committee financial expert” as defined by applicable SEC rules and has the requisite financial sophistication as defined under the applicable NASDAQ rules and regulations. The Audit Committee met four times during 2019.

Compensation Committee

The Compensation Committee’s responsibilities include:

- annually reviewing and approving corporate goals and objectives applicable to CEO compensation;
- determining our CEO’s compensation;
- reviewing and approving, or making recommendations to our board with respect to, the compensation of our other executive officers;
- overseeing an evaluation of our senior executives;
- overseeing and administering our equity incentive plans;
- reviewing and making recommendations to our board with respect to director compensation; and
- reviewing and discussing annually with management our “Compensation Discussion and Analysis” when it is required by SEC rules to be included in our Proxy Statements.

The members of our Compensation Committee are Messrs. Duitch, Battinelli and Summers, and Mr. Battinelli serves as the chairperson of the committee. Our board has determined that each of Messrs. Duitch, Battinelli and Summers is independent under the applicable NASDAQ rules and regulations and is a “non-employee director” as defined in Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). The Compensation Committee was established effective February 15, 2017 (i.e., when our common stock became listed on The NASDAQ Capital Market).

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee’s responsibilities include:

- identifying individuals qualified to become board members;
- recommending to our board the persons to be nominated for election as directors and to each of the board’s committees; and
- overseeing an annual evaluation of the board.

The members of our Nominating and Corporate Governance Committee are Messrs. Duitch, Battinelli and Summers, and Mr. Duitch serves as the interim chairperson of the committee. Our board has determined that each of Messrs. Duitch, Battinelli and Summers is independent under the applicable NASDAQ rules and regulations. The Nominating and Corporate Governance Committee was established effective February 15, 2017 (i.e., when our common stock became listed on The NASDAQ Capital Market).

Code of Ethics and Business Conduct

The Company has a code of ethics that applies to all employees, including the Company's principal executive officer, principal financial officer, and principal accounting officer, as well as to the members of the Board of Directors. The code is available at www.sigmalabsinc.com. The Company intends to disclose any changes in, or waivers from, this code by posting such information on the same website or by filing a Form 8-K, in each case to the extent such disclosure is required by rules of the SEC or NASDAQ. The reference to our website address does not constitute incorporation by reference of the information contained at or available through our website, and you should not consider it to be a part of this Annual Report.

Considerations in Evaluating Director Nominees

Our Nominating and Corporate Governance Committee uses a variety of methods for identifying and evaluating director nominees. In its evaluation of director candidates, our Nominating and Corporate Governance Committee will consider the current size and composition of our Board of Directors and the needs of our Board of Directors and the respective committees of our Board of Directors. Some of the qualifications that our Nominating and Corporate Governance Committee considers include, without limitation, issues of character, integrity, judgment, diversity of experience, independence, area of expertise, corporate experience, length of service, potential conflicts of interest and other commitments. Nominees must also have the ability to offer advice and guidance to our Chief Executive Officer based on past experience in positions with a high degree of responsibility and be leaders in the companies or institutions with which they are affiliated. Director candidates must have sufficient time available in the judgment of our Nominating and Corporate Governance Committee to perform all board of director and committee responsibilities. Members of our Board of Directors are expected to prepare for, attend, and participate in all board of director and applicable committee meetings. Other than the foregoing, there are no stated minimum criteria for director nominees, although our Nominating and Corporate Governance Committee may also consider such other factors as it may deem, from time to time, are in our and our stockholders' best interests.

Although our Board of Directors does not maintain a specific policy with respect to board diversity, our Board of Directors believes that our Board of Directors should be a diverse body, and our Nominating and Corporate Governance Committee considers a broad range of backgrounds and experiences. In making determinations regarding nominations of directors, our Nominating and Corporate Governance Committee may take into account the benefits of diverse viewpoints. Our Nominating and Corporate Governance Committee also will consider these and other factors as it oversees the annual board of director and committee evaluations. After completing its review and evaluation of director candidates, our Nominating and Corporate Governance Committee recommends to our full Board of Directors the director nominees for selection.

Stockholder Recommendations for Nominations to the Board of Directors

Our Nominating and Corporate Governance Committee will consider candidates for director recommended by stockholders so long as such recommending stockholder was a stockholder of record both at the time of giving notice and at the time of the annual meeting, and such recommendations comply with our amended and restated articles of incorporation and amended and restated bylaws and applicable laws, rules and regulations, including those promulgated by the SEC. The Nominating and Corporate Governance Committee will evaluate such recommendations in accordance with its charter, our amended and restated bylaws, our policies and procedures for director candidates, as well as the regular director nominee criteria described above. This process is designed to ensure that our Board of Directors includes members with diverse backgrounds, skills and experience, including appropriate financial and other expertise relevant to our business. Eligible stockholders wishing to recommend a candidate for nomination should contact the Secretary in writing. Our Nominating and Corporate Governance Committee has discretion to decide which individuals to recommend for nomination as directors.

Role of Board in Risk Oversight Process

Risk assessment and oversight are an integral part of our governance and management processes. Our Board of Directors encourages management to promote a culture that incorporates risk management into our corporate strategy and day-to-day business operations. Management discusses strategic and operational risks at regular management meetings and conducts specific strategic planning and review sessions during the year that include a focused discussion and analysis of the risks we face. Throughout the year, senior management reviews these risks with the Board of Directors at regular board meetings as part of management presentations that focus on particular business functions, operations or strategies, and presents the steps taken by management to mitigate or eliminate such risks. Our Board of Directors does not have a standing risk management committee, but rather administers this oversight function directly through the Board of Directors as a whole, as well as through standing committees of the Board of Directors that will address risks inherent in their respective areas of oversight. In particular, our Audit Committee is responsible for overseeing our major financial risk exposures and the steps our management has taken to monitor and control these exposures. The Audit Committee also monitors compliance with legal and regulatory requirements and considers and approves or disapproves any related-person transactions. Our Nominating and Governance Committee monitors the effectiveness of our corporate governance guidelines that we may adopt or amend from time to time. Our Compensation Committee assesses and monitors whether any of our compensation policies and programs has the potential to encourage excessive risk-taking by our management.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's executive officers and directors, and persons who own more than 10% of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission ("SEC"). Executive officers, directors and greater than 10% stockholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

The Company believes that during its most recent fiscal year ended December 31, 2019, its executive officers, directors and greater than 10% stockholders complied with the filing requirements under Section 16(a), except that (i) Ronald Fisher filed a Form 4 late in connection with (a) the forfeiture of shares of common stock with respect to an applicable milestone not being satisfied, and (b) the receipt of shares of common stock based on an applicable milestone being achieved, and (ii) John Rice filed a Form 4 late relating to his acquisition of two stock options as compensation in his capacity as an officer.

ITEM 11. EXECUTIVE COMPENSATION

Processes and Procedures for Compensation Decisions

Our Compensation Committee is responsible for the executive compensation programs for our executive officers and reports to our board of directors on its discussions, decisions and other actions. Typically, our Chief Executive Officer makes recommendations to our Compensation Committee and is involved in the determination of compensation for the respective executive officers that report to him. Our Chief Executive Officer does not determine his own compensation. Our Chief Executive Officer makes recommendations to our Compensation Committee regarding short- and long-term compensation for all executive officers based on our results, an individual executive officer's contribution toward these results and performance toward individual goal achievement. Our Compensation Committee then reviews the recommendations and other data and makes decisions (or makes recommendations to the Board) as to total compensation for each executive officer as well as each individual compensation component.

The following table sets forth compensation for services rendered in all capacities to the Company: (i) for each person who served as the Company's Chief Executive Officer at any time during the past fiscal year, and (ii) for our two most highly compensated executive officers, other than our Chief Executive Officer, who were employed with the Company on December 31, 2019 (the foregoing executives are herein collectively referred to as the "named executive officers").

Summary Compensation Table

Name and Principal Position	Year	Salary (\$)⁽¹⁾	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)⁽²⁾	All Other Compensation (\$)	Total (\$)
John Rice - President, Chief Executive Officer (Principal Executive Officer) and Director (Chairman of the Board)	2019	155,000	—	—	210,347 ⁽³⁾	—	365,347
	2018	125,625	—	—	280,617 ⁽⁴⁾	—	406,242
Ronald Fisher - Vice President of Business Development	2019	180,000	—	—	23,870 ⁽⁵⁾	—	203,870
	2018	180,000	—	—	28,927 ⁽⁶⁾	—	208,927
Darren Beckett – Chief Technology Officer	2019	180,000	—	—	36,100 ⁽⁷⁾	—	216,100
	2018	142,500	—	—	41,574 ⁽⁸⁾	—	184,074

(1) Actual amounts paid or accrued.

(2) The Fair Value of option awards is calculated in accordance with FASB ASC Topic 718. The amount recognized for all awards is calculated using the Black Scholes option-pricing model.

(3) On each of the first day of each month commencing January 1, 2019 and ending on August 1, 2019, we granted Mr. Rice an option to purchase up to 2,292 shares of our common stock, under our 2013 Equity Incentive Plan in connection with his employment arrangement. The options are fully vested and have the following exercise prices: \$15.00, \$19.30, \$20.40, \$14.70, \$15.00, \$12.00, \$14.00, and \$7.40. The options had an aggregate grant date fair value of \$26,630, \$34,254, \$36,418, \$26,161, \$26,642, \$21,291, \$25,405, and \$13,546, respectively

(4) On April 19, 2018, we granted Mr. Rice three options (the “Options”) to purchase up to 2,000 shares of our common stock under our 2013 Equity Incentive Plan in connection with his employment arrangement. The Options have an exercise price per share equal to \$18.80, \$15.40 and \$14.80, respectively, and each is fully vested. The options had an aggregate grant date fair value of \$31,010, \$25,402 and \$24,412, respectively. The Company also granted Mr. Rice an option to purchase up to 2,000 shares on each of April 30, 2018, May 31, 2018, June 30, 2018 and July 31, 2018. Such options have an exercise price per share equal to \$11.00, \$14.70, \$11.90 and \$8.70, respectively, and each is fully vested. The options had an aggregate grant date fair value of \$18,184, \$24,248, \$19,460 and \$13,975, respectively. On November 1, 2018 the Company granted Mr. Rice a fully vested option to purchase up to 6,875 shares at an exercise price of \$17.90 The option had an aggregate grant day fair value of \$95,888. On December 1, 2018 the Company granted Mr. Rice a fully vested option to purchase up to 2,292 shares at an exercise price of \$15.70. The option had an aggregate grant day fair value of \$28,038.

- (5) On January 10, 2019, we granted Mr. Fisher an option to purchase 1,183 shares of our common stock under our 2013 Equity Incentive Plan in connection with his employment arrangement. The option has an exercise price per share equal to \$20.20 and is fully vested. The option had a grant date fair value of \$18,271. On November 1, 2019, we granted Mr. Fisher an option to purchase 100 shares of our common stock under our 2013 Equity Incentive Plan in connection with his employment arrangement. The option has an exercise price per share equal to \$5.20 and is fully vested. The option had a grant date fair value of \$420. On November 26, 2019, we granted Mr. Fisher an option to purchase 100 shares of our common stock under our 2013 Equity Incentive Plan in connection with his employment arrangement. The option has an exercise price per share equal to \$8.20 and is fully vested. The option had a grant date fair value of \$661. On December 3, 2019, we granted Mr. Fisher an option to purchase 500 shares of our common stock under our 2013 Equity Incentive Plan in connection with his employment arrangement. The option has an exercise price per share equal to \$11.20 and is fully vested. The option had a grant date fair value of \$4,518.
- (6) On April 19, 2018, we granted Mr. Fisher an option to purchase 2,875 shares of our common stock under our 2013 Equity Incentive Plan in connection with his employment arrangement. The option has an exercise price per share equal to \$12.20, and is vested as to 281 shares, and the balance of the shares under the stock option will vest in three additional annual installments as follows: 410 shares will vest and become exercisable on April 19, 2020; 683 shares will vest and become exercisable April 19, 2021; and 1,501 shares will vest and become exercisable on April 19, 2022. The options had a grant date fair value of \$28,927.
- (7) On January 1, 2019, we granted Mr. Beckett an option to purchase up to 375 shares of our common stock under our 2013 Equity Incentive Plan in connection with his employment arrangement. The option has an exercise price per share equal to \$15.00. The option vests as follows: 94 shares vested and became exercisable on January 1, 2020; the remaining 281 shares will vest and become exercisable equally on the second through the fourth anniversaries of the date of grant. The option has an aggregate grant date fair value of \$4,358. On July 18, 2019, we granted Mr. Beckett an option to purchase up to 500 shares of our common stock under our 2013 Equity Incentive Plan. The option has an exercise price per share equal to \$12.40. The option vests and will become exercisable equally on the first through the fourth anniversaries of the date of grant. The option has an aggregate grant date fair value of \$4,885. On October 11, 2019, we granted Mr. Beckett an option to purchase up to 5,000 shares of our common stock under our 2013 Equity Incentive Plan. The option has an exercise price per share equal to \$6.70. The option is fully vested and exercisable. The option has an aggregate grant date fair value of \$26,857.
- (8) On February 26, 2018 and October 18, 2018, we granted Mr. Beckett an option to purchase up to 1,500 and 2,000 shares of our common stock, respectively, under our 2013 Equity Incentive Plan in connection with his employment arrangement. The options have an exercise price per share equal to \$15.60 and \$12.10, respectively. The February 2018 option vests as follows: 75 shares vested and became exercisable on October 13, 2018; 225 shares vested and became exercisable on October 13, 2019; 375 shares will vest and become exercisable on October 13, 2020; and 825 shares will vest and become exercisable on October 13, 2021. The October 2018 option vests in equal annual installment over four years from the date of grant. The options have an aggregate grant date fair value of \$22,790 and \$18,784, respectively.

Named Executive Officer Employment Agreements

John Rice

On August 8, 2017, we entered into an “at will” unwritten employment arrangement with Mr. John Rice, pursuant to which Mr. Rice served as our interim Chief Executive Officer and interim principal executive officer, will receive a monthly salary of \$9,000, and is eligible to receive medical and dental benefits, life insurance, and long term and short term disability coverage. Further, Mr. Rice is eligible under his employment arrangement to participate in the Company’s 2013 Equity Incentive Plan, with equity compensation to Mr. Rice to be determined by our Compensation Committee at a later date. Effective as of Mr. Rice’s appointment as interim Chief Executive Officer, Mr. Rice is no longer entitled to receive compensation for his service as a director of the Company during his service as our interim Chief Executive Officer. On April 19, 2018, we granted Mr. Rice three options (the “Options”) to purchase up to 2,000 shares of our common stock under our 2013 Equity Incentive Plan. The Options have an exercise price per share equal to \$18.80, \$15.40 and \$14.80, respectively, which is greater than the closing price of our common stock on the date of grant (the “Grant Date”), and each is fully vested as of the Grant Date.

The Company also granted Mr. Rice an option to purchase up to 2,000 shares on each of April 30, 2018, May 31, 2018, June 30, 2018 and July 31, 2018 (each, a “Monthly Option”), and agreed that that Mr. Rice is entitled to a bonus of (x) 10,000 shares of common stock under our 2013 Equity Incentive Plan if the average closing price of our common stock is \$60.00, \$70.00, \$80.00 or \$90.00 for three consecutive months (for a total possible bonus of up to 40,000 shares if each of the foregoing performance milestones is satisfied), and (y) the balance of any portion of the foregoing 40,000 shares if the Company is sold for a price equivalent to at least \$80.00 per outstanding share of common stock while Mr. Rice serves as our Chief Executive Officer (or during the 12-month period thereafter), and that in the event that our Board of Directors determines that Mr. Rice is unable to perform his duties as our Chief Executive Officer due to an accident, illness or other event or condition which physically or mentally incapacitates Mr. Rice for a period of 45 consecutive days (“Disability”), (x) if Mr. Rice ceases to be employed by the Company as a result of a Disability, the Options will remain exercisable for the 5-year term of such Options, unless the Options are terminated pursuant to a “Corporate Transaction” (as defined in the 2013 Equity Incentive Plan); and (y) if Mr. Rice ceases to be employed by the Company as a result of a Disability, the Monthly Options will remain exercisable for the 5-year term of such Monthly Options, unless the Monthly Options are terminated pursuant to a Corporate Transaction.

On June 21, 2018, Mr. Rice’s title was changed to Chief Executive Officer of the Company. On August 1, 2018, the Company increased the annual base salary of Mr. Rice from \$108,000 to \$155,000. On November 1, 2018, the Company granted Mr. Rice an option to purchase 6,875 shares of the Company’s common stock under the 2013 Plan at an exercise price of \$17.90 per share, with such option having a term of five years and being fully vested on the grant date. The Company also agreed to grant Mr. Rice an option under the 2013 Plan to purchase up to (i) 2,292 shares on the first day of each month commencing on December 1, 2018 and ending on August 1, 2019 (collectively, the “Monthly Options”), so long as Mr. Rice remains an employee of the Company as of the applicable grant date (except that if Mr. Rice ceases to be employed by the Company as a result of an accident, illness or other event or condition which physically or mentally incapacitates Mr. Rice for a period of 45 consecutive days, any Monthly Option that has not been granted as of such date will still be granted on the applicable grant date), with each Monthly Option to have a 5-year term, an exercise price equal to the closing price of the Company’s common stock on the date of grant, to be vested in full on the date of grant and otherwise to be on such other terms set forth in the Company’s standard form of non-qualified stock option agreement.

Darren P. Beckett

On October 18, 2018, Darren Beckett’s title was changed from Vice President of Engineering to Chief Technology Officer of the Company. On October 18, 2018, the Company also increased the annual base salary of Mr. Beckett from \$135,000 to \$180,000, effective retroactive to September 16, 2018, and granted Mr. Beckett an option to purchase 2,000 shares of common stock under the 2013 Plan at an exercise price of \$12.10 per share. The option has a term of five years and vests in equal annual installment over four years from the date of grant subject, in each case, to Mr. Beckett being in the continuous employ of the Company on the applicable vesting date. Mr. Beckett has served as an employee of the Company since September 25, 2017, pursuant to an “at will” employment agreement with the Company, under which he was engaged to serve as our Engineering Manager. Under the agreement, Mr. Beckett was entitled to receive an annual base salary of \$135,000 prior to the foregoing increase, and is eligible to receive medical and dental benefits, life insurance, short and long-term disability coverage, and to participate in the Company’s Section 125 cafeteria plan, vision plan and 401K plan. On January 1, 2019 the Company granted Mr. Beckett an option to purchase up to 375 shares of common stock under the 2013 Plan at an exercise price of \$15.00. The option has a term of five years and vests in equal annual installments over four years from the date of grant.

Ronald Fisher

We have entered into an “at will” employment agreement, effective as of August 10, 2015, with Mr. Fisher under which he was engaged to serve as our Vice President of Business Development. Mr. Fisher is entitled to receive an annual base salary of \$180,000. Pursuant to the employment agreement, Mr. Fisher also was granted, as a signing bonus, a stock option to purchase up to 2,375 shares of common stock of the Company, at an exercise price equal to \$118.00 per share, which was the closing market price of the Company’s common stock on August 10, 2015 (i.e., the date of grant), under the 2013 Equity Incentive Plan. Such option vested and became exercisable as to 138 shares on the first anniversary of the grant date, as to 338 shares on the second anniversary of the grant date, as to 638 shares on the third anniversary of the grant date, and will vest and become exercisable as to 1,263 shares on the fourth anniversary of the grant date, provided that Mr. Fisher remains an employee of the Company through such vesting date. The option has a ten-year term and is on such other terms set forth in the Company’s standard form of non-qualified stock option agreement. Additionally, the Company granted Mr. Fisher under the 2013 Plan, effective as of August 11, 2016, a stock option to purchase up to 500 shares of common stock of the Company. Such option has an exercise price equal to the closing price of our common stock on the date of grant, and vests and becomes exercisable as to (i) 30 shares on August 11, 2017, (ii) 70 shares on August 11, 2018, (iii) 135 shares on August 11, 2019, and (iv) 265 shares on August 11, 2020, provided Mr. Fisher is in the employ of the Company on August 11, 2019 and 2020. Further, Mr. Fisher is eligible to participate in the Company’s 2013 Equity Incentive Plan and is eligible to receive medical and dental benefits, life insurance, short and long-term disability coverage, and to participate in the Company’s Section 125 cafeteria plan, vision plan and 401K plan

On September 18, 2017, we and Mr. Fisher entered into Amendment No. 1 to Mr. Fisher’s employment agreement, effective August 10, 2015, pursuant to which, effective as of February 11, 2017, item 2, entitled “Performance Bonuses,” of Exhibit A of Mr. Fisher’s employment agreement was deleted in its entirety and replaced with the new item 2 that was set forth in the amendment to employment agreement. Such amendment provided that Mr. Fisher would become entitled to receive performance-based stock and cash bonuses if certain milestones were satisfied by February 11, 2018, so long as Mr. Fisher remained an employee of the Company as of the date the applicable milestone was satisfied. On February 21, 2018, the Company and Mr. Fisher entered into Amendment No. 2 to Mr. Fisher’s employment agreement, pursuant to which the foregoing February 11, 2018 date was extended to December 31, 2018. On January 10, 2019, the Company granted Mr. Fisher an option to purchase up to 1,183 shares of common stock in exchange for the cancellation of his accrued but unpaid vacation balance at December 31, 2018. On March 7, 2019, the Company issued 150 shares of common stock under the 2013 Plan to Mr. Fisher connected with the satisfaction of a performance milestone.

Outstanding Equity Awards at 2019 Fiscal Year-End

The following table sets forth outstanding equity awards issued under our 2013 Equity Incentive Plan as of December 31, 2019 that are held by our named executive officers.

Name	Option Awards			
	Number of securities underlying unexercised options (#) exercisable	Number of securities underlying unexercised options (#) unexercisable	Option exercise price (\$)	Option expiration date
John Rice ⁽¹⁾	2,000	—	18.80	4/18/23
	2,000	—	15.40	4/18/23
	2,000	—	14.80	4/18/23
	2,000	—	11.00	4/29/23
	2,000	—	14.70	5/30/23
	2,000	—	11.90	6/29/23
	2,000	—	8.70	7/30/23
	6,875	—	17.90	12/31/23
	2,292	—	15.70	11/30/23
	2,292	—	15.00	1/1/24
	2,292	—	19.30	2/1/24
	2,292	—	20.40	3/1/24
	2,292	—	14.70	4/1/24
	2,292	—	15.00	5/1/24
	2,292	—	12.00	6/1/24
	2,292	—	14.00	7/1/24
	2,292	—	7.40	8/1/24
Ronald Fisher ⁽²⁾	281	2,594	12.20	4/18/23
	1,183	—	20.20	1/10/24
	100	—	5.20	11/1/24
	100	—	8.20	11/26/24
	500	—	11.20	12/3/24
	2,375	—	118.00	8/10/25
	235	265	105.60	8/11/26
Darren Beckett ⁽³⁾	300	1,200	19.20	10/12/22
	100	1,900	12.10	10/18/23
	94	281	15.00	1/1/24
	—	500	12.40	7/18/24
	5,000	—	6.70	10/11/24
	300	1,200	15.60	2/26/28

(1) On April 19, 2018, we granted Mr. Rice three options (the “Options”) to purchase up to 2,000 shares of our common stock under our 2013 Equity Incentive Plan in connection with his employment arrangement. The Options have an exercise price per share equal to \$18.80, \$15.40 and \$14.80, respectively, and each is fully vested. The Company also granted Mr. Rice an option to purchase up to 2,000 shares on each of April 30, 2018, May 31, 2018, June 30, 2018 and July 31, 2018. Such options have an exercise price per share equal to \$11.00, \$14.70, \$11.90 and \$8.70, respectively, and each is fully vested. On November 1, 2018 the Company granted Mr. Rice a fully vested option to purchase up to 6,875 shares at an exercise price of \$17.90. On December 1, 2018 the Company granted Mr. Rice a fully vested option to purchase up to 2,292 shares at an exercise price of \$15.70. On each of the first day of each month commencing January 1, 2019 and ending on August 1, 2019, we granted Mr. Rice an option to purchase up to 2,292 shares of our common stock, under our 2013 Equity Incentive Plan in connection with his employment arrangement. The options are fully vested and have the following exercise prices: \$15.00, \$19.30, \$20.40, \$14.70, \$15.00, \$12.00, \$14.00, and \$7.40. The options had an aggregate grant date fair value of \$26,630, \$34,254, \$36,418, \$26,161, \$26,642, \$21,291, \$25,405, and \$13,546, respectively, calculated in accordance with FASB ASC Topic 718. The amount recognized for this award was calculated using the Black Scholes option-pricing model.

(2) In August 2015, in conjunction with the hiring of Ronald Fisher, the Company's Vice President of Business Development, the Company granted to Mr. Fisher a stock option (the "Option") to purchase up to 2,375 shares of common stock of the Company, at an exercise price equal to \$118.00 per share, which was the closing market price of the Company's common stock on August 10, 2015 (i.e., the date of grant), under the 2013 Plan. The Option is fully vested. The Option has a ten-year term and is on such other terms set forth in the Company's standard form of non-qualified stock option agreement. The Company granted Mr. Fisher under the 2013 Equity Incentive Plan, effective as of August 11, 2016, a stock option to purchase up to 500 shares of common stock of the Company. Such option has an exercise price equal to the closing price of our common stock on the date of grant, and vested and became exercisable (i) as to 30 shares on August 11, 2017, as to (ii) 70 shares on August 11, 2018, and (iii) as to 135 shares on August 11, 2019, and will vest and become exercisable as to 265 shares on August 11, 2020, provided Mr. Fisher is in the employ of the Company on such date. On April 19, 2018, we granted to Mr. Fisher an option to purchase 2,875 shares of our common stock. Such option has a five-year term with an exercise price equal to the closing price of our common stock on the date of the grant. The option is vested as to 281 shares and the remaining shares vest as follows: 410 shares will vest on April 19, 2020, 683 shares will vest on April 19, 2021, and the remaining 1,501 shares will vest on April 19, 2022. On January 10, 2019, we granted Mr. Fisher an option to purchase 1,183 shares of our common stock. The option has an exercise price per share equal to \$20.20 and is fully vested. On November 1, 2019, we granted Mr. Fisher an option to purchase 100 shares of our common stock. The option has an exercise price per share equal to \$5.20 and is fully vested. On November 26, 2019, we granted Mr. Fisher an option to purchase 100 shares of our common stock. The option has an exercise price per share equal to \$8.20 and is fully vested. On December 3, 2019, we granted Mr. Fisher an option to purchase 500 shares of our common stock. The option has an exercise price per share equal to \$11.20 and is fully vested.

(3) On February 26, 2018 and October 18, 2018, we granted Mr. Beckett an option to purchase up to 1,500 and 2,000 shares of our common stock, respectively, under our 2013 Equity Incentive Plan in connection with his employment arrangement. The options have an exercise price per share equal to \$15.60 and \$12.10, respectively. The February 2018 option vests as follows: 75 shares vested and became exercisable on October 13, 2018; 225 shares vested and became exercisable on October 13, 2019; 375 shares will vest and become exercisable on October 13, 2020; and 825 shares will vest and become exercisable on October 13, 2021. The October 2018 option vests in equal annual installment over four years from the date of grant. On October 13, 2017, we granted Mr. Beckett an option to purchase up to 1,500 shares of our common stock under our 2013 Equity Incentive Plan in connection with his employment arrangement. The option has an exercise price per share equal to \$19.20. The option vests as follows: 75 shares vested and became exercisable on October 13, 2018; 225 shares vested and became exercisable on October 13, 2019; 375 shares will vest and become exercisable on October 13, 2020; and 825 shares will vest and become exercisable on October 13, 2021. On January 1, 2019, we granted Mr. Beckett an option to purchase up to 375 shares of our common stock under our 2013 Equity Incentive Plan in connection with his employment arrangement. The option has an exercise price per share equal to \$15.00. The option vests as follows: 94 shares vested and became exercisable on January 1, 2020; the remaining 281 shares will vest and become exercisable in equal installments on the second through the fourth anniversaries of the date of grant. On July 18, 2019, we granted Mr. Beckett an option to purchase up to 500 shares of our common stock under our 2013 Equity Incentive Plan in connection with his employment arrangement. The option has an exercise price per share equal to \$12.40. The option vests and will become exercisable in equal installments on the first through the fourth anniversaries of the date of grant. On October 11, 2019, we granted Mr. Beckett an option to purchase up to 5,000 shares of our common stock under our 2013 Equity Incentive Plan in connection with his employment arrangement. The option has an exercise price per share equal to \$6.70. The option is fully vested and exercisable.

Equity Awards

We offer stock options and stock awards to certain of our employees, including our executive officers, as the long-term incentive component of our compensation program. We generally grant equity awards to new hires upon their commencing employment with us. Our stock options allow employees to purchase shares of our common stock at a price per share equal to the fair market value of our common stock on the date of grant and may or may not be intended to qualify as "incentive stock options" for U.S. federal income tax purposes. We sometimes also offer stock options and stock awards to our consultants in lieu of cash. Our stock options allow consultants to purchase shares of our common stock at a price per share equal to the fair market value of our common stock on the date of grant and are not intended to qualify as "incentive stock options" for U.S. federal income tax purposes. Stock options and stock awards granted to our executive officers may be subject to accelerated vesting in certain circumstances.

Retirement Plans

We maintain a qualified 401(k) plan, in which all eligible employees may participate. We have elected to match 100% of each participant's contribution up to 3% of salary, and 50% of the next 2% of salary contributed. We may also elect, on an annual basis, to make a discretionary contribution to the plan, but have not done so to date. Our matches and elective contributions vest to participant accounts as follows: 20% after two years of service, and 20% per year thereafter until the participant reaches 6 years of service, at which time, employer contributions vest 100%. As a tax-qualified retirement plan, contributions to the 401(k) plan and earnings on those contributions are not taxable to the employees until distributed from the 401(k) plan.

No Tax Gross-Ups

We do not make gross-up payments to cover our executive officers' personal income taxes that may pertain to any of the compensation paid or provided by our company.

2011 Equity Incentive Plan

On August 23, 2019, our Board of Directors terminated the 2011 Equity Incentive Plan.

2013 Equity Incentive

Plan Purpose

Our Board of Directors adopted the 2013 Plan to (1) encourage selected employees, officers, directors, consultants and advisers to improve our operations and increase our profitability, (2) encourage selected employees, officers, directors, consultants and advisers to accept or continue employment or association with us, and (3) increase the interest of selected employees, officers, directors, consultants and advisers in our welfare through participation in the growth in value of our common stock. All of our current employees, directors and consultants are eligible to participate in the 2013 Plan.

Administration

The 2013 Plan is to be administered by the Board or by a committee to which administration of the Plan, or of part of thereof, is delegated by the Board. The 2013 Plan is currently administered by our Compensation Committee, which we refer to below as the “Administrator.” The Administrator is responsible for selecting the officers, employees, directors, consultants and advisers who will receive Options, Stock Appreciation Rights and Stock Awards. Subject to the requirements imposed by the 2013 Plan, the Administrator is also responsible for determining the terms and conditions of each Option and Stock Appreciation Right award, including the number of shares subject to the Option, the exercise price, expiration date and vesting period of the Option and whether the option is an Incentive Option or a Non-Qualified Option. Subject to the requirements imposed by the 2013 Plan, the Administrator is also responsible for determining the terms and conditions of each Stock Award, including the number of shares granted, the purchase price (if any), and the vesting, transfer and other restrictions imposed on the stock. The Administrator has the power, authority and discretion to make all other determinations deemed necessary or advisable for the administration of the 2013 Plan or of any award under the 2013 Plan.

Neither the Board nor any committee of the Board to which administration of the 2013 Plan is delegated will provide advice to participants about whether or not to accept or exercise their awards. Each participant must make his or her own decision about whether or not to accept or exercise an award.

The 2013 Plan is not subject to the Employee Retirement Income Security Act of 1974 and is not a qualified pension, profit sharing or bonus plan under Section 401(a) of the Internal Revenue Code

Stock Subject to the 2013 Plan

Subject to the provisions of the 2013 Plan relating to adjustments upon changes in common stock, an aggregate of 240,000 shares of common stock are currently subject to outstanding awards under the 2013 Plan or future awards under the 2013 Plan.

If awards granted under the 2013 Plan expire or otherwise terminate or are cancelled without being exercised in full, the shares of common stock not acquired pursuant to such awards will again become available for issuance under the 2013 Plan. If shares of common stock issued pursuant to awards under the 2013 Plan are forfeited to or repurchased by us, the forfeited or repurchased stock will again become available for issuance under the 2013 Plan.

If shares of common stock subject to an award are not delivered to a participant because such shares are withheld for payment of taxes incurred in connection with the exercise of an Option, or the issuance of shares under a Stock Award, or the award is exercised through a reduction of shares subject to the award (“net exercised”), then the number of shares that are not delivered will not again be available for issuance under the 2013 Plan. In addition, if the exercise price of any award is satisfied by the tender of shares of common stock to us (whether by actual delivery or attestation), the shares tendered will not again be available for issuance under the 2013 Plan.

Eligibility

All directors, employees, consultants and advisors of the Company and its subsidiaries are eligible to receive awards under the 2013 Plan. Incentive Options may only be granted under the 2013 Plan to a person who is a full-time officer or employee of the Company or a subsidiary. The Administrator will determine from time to time which directors, employees, consultants and advisers will be granted awards under the 2013 Plan.

Terms of Awards**Written Agreement**

Each award under the 2013 Plan will be evidenced by an agreement in a form approved by the Administrator.

Exercise Price; Base Value

The exercise price for a Non-Qualified Option or an Incentive Option may not be less than 100% of the fair market value of the Common Stock on the date of the grant of the Non-Qualified Option or Incentive Option. With respect to an Option holder who owns stock possessing more than 10% of the total voting power of all classes of our stock, the exercise price for an Incentive Option may not be less than 110% of the fair market value of the Common Stock on the date of the grant of the Incentive Option. The base value of a Stock Appreciation Right shall also be no less than 100% of the Common Stock on the date of the grant of the Stock Appreciation Right. The 2013 Plan does not specify a minimum exercise price for Stock Awards.

Vesting

Each Option, Stock Appreciation Right or Stock Award will become exercisable or non-forfeitable (that is, "vest") under conditions specified by the Administrator at the time of grant. Vesting typically is based upon continued service as a director or employee but may be based upon any performance criteria and other contingencies that are determined by the Administrator. Shares subject to Stock Awards may be subject to specified restrictions concerning transferability, repurchase by the Company and forfeiture of the shares issued, together with such other restrictions as may be determined by the Administrator.

Expiration Date

Each Option or Stock Appreciation Right must be exercised by a date specified in the award agreement, which may not be more than ten years after the grant date. Except as otherwise provided in the relevant agreement, an Option or Stock Appreciation Right ceases to be exercisable ninety days after the termination of the holder's employment with us.

Transfers of Options

Unless otherwise determined by the Administrator, Options are not transferable except by will or the laws of descent and distribution.

Purchase Price Payment

Unless otherwise determined by the Administrator, the purchase price of Common Stock acquired under the 2013 Plan is payable by cash or check at the time of an Option exercise or acquisition of a Stock Award. The Company does not charge participants any fees or commissions in connection with their acquisition of Common Stock under the 2013 Plan. The Administrator also has discretion to accept the following types of payment from participants:

- A secured or unsecured promissory note, provided that this method of payment is not available to a participant who is a director or an executive officer;
- Shares of our Common Stock already owned by the Option or Stock Award holder as long as the surrendered shares have a fair market value that is equal to the acquired stock and have been owned by the participant for at least six months;
- The surrender of shares of Common Stock then issuable upon exercise of an Option; and
- A “cashless” option exercise in accordance with applicable regulations of the SEC and the Federal Reserve Board.

Withholding Taxes

At the time of his or her exercise of an Option or Stock Appreciation Right, an employee is responsible for paying all applicable federal and state withholding taxes. A holder of Stock Awards is responsible for paying all applicable federal and state withholding taxes once the shares covered by the award cease to be forfeitable or at any other time required by applicable law.

Securities Law Compliance

Shares of Common Stock will not be issued pursuant to the exercise of an Option or the receipt of a Stock Award unless the Administrator determines that the exercise of the Option or receipt of the Stock Award and the issuance and delivery of such shares will comply with all relevant provisions of law, including, without limitation, the Securities Act of 1933 (the “Securities Act”), applicable state and foreign securities laws and the requirements of any stock exchange on which our Common Stock is traded.

Effects of Certain Corporate Transactions

Except as otherwise determined by the Administrator, in the event of a “corporate transaction,” all previously unexercised Options and Stock Appreciation Rights will terminate immediately prior to the consummation of the corporate transaction and all unvested Restricted Stock awards will be forfeited immediately prior to the consummation of the corporate transaction. The Administrator, in its discretion, may permit exercise of any Options or Stock Appreciation Rights prior to their termination, even if those awards would not otherwise have been exercisable, or provide that outstanding awards will be assumed or an equivalent Option or Stock Appreciation Right substituted by a successor corporation. The Administrator, in its discretion, may remove any restrictions as to any Restricted Stock awards or provide that all outstanding Restricted Stock awards will participate in the corporate transaction with an equivalent stock substituted by the successor corporation subject to the restrictions. In general, a “corporate transaction” means:

- Our liquidation or dissolution;
- Our merger or consolidation with or into another corporation as a result of which we are not the surviving corporation;
- A sale of all or substantially all of our assets; or
- A purchase or other acquisition of more than 50% of our outstanding stock by one person, or by more than one person acting in concert.

Other Adjustment Provisions

If the stock of the Company is changed by reason of a stock split, reverse stock split, stock dividend, recapitalization, combination or reclassification, appropriate adjustments shall be made by the Administrator, in its discretion, in (1) the number and class of shares of stock subject to the 2013 Plan and each Option and grant of Stock Awards outstanding under the 2013 Plan, and (2) the purchase price of each outstanding Option and (if applicable) Stock Award. For example, if an Option is for 1,000 shares for \$20.00 per share and there is a 2-for-1 stock split, the Option would be adjusted to be exercisable for 2,000 shares at \$10.00 per share.

Amendment or Termination of the Plan

The Board of Directors may at any time amend, discontinue or terminate the 2013 Plan. With specified exceptions, no amendment, suspension or termination of the Plan may adversely affect outstanding Options or Stock Appreciation Rights or the terms that are applicable to outstanding Stock Awards. No amendment, suspension or termination of the Plan requires stockholder approval unless such approval is required under applicable law or under the rules of any stock exchange on which our Common Stock is traded. Unless terminated earlier by the Board of Directors, the 2013 Plan will terminate automatically on March 15, 2023, which is the tenth anniversary of the date of the 2013 Plan's adoption by the Board.

As of March 20, 2020, there were 161,628 shares previously issued or subject to outstanding awards under the 2013 Plan and 27,486 shares were available for future issuance under the 2013 Plan.

Director Compensation

We believe that a combination of cash and equity compensation is appropriate to attract and retain the individuals we desire to serve on our Board of Directors. Our cash compensation policies are designed to encourage frequent and active interaction between directors and our executives both during and between formal meetings as well as compensate our directors for their time and effort. Further, we believe it is important to align the long-term interests of our non-employee directors (i.e. directors who are not employed by us as officers or employees) with those of the Company and its stockholders, and that awarding equity compensation to, and thereby increasing ownership of our common stock by, our non-employee directors is an appropriate means to achieve this alignment. Directors who are also employees of our company do not receive compensation for their service on our Board of Directors.

Under our director compensation program, each non-employee director received annual compensation of \$27,000 and 5,000 shares of restricted common stock, which vested ratably each quarter. In addition, the Chairperson of the Audit Committee received a \$5,000 annual retainer in cash. All cash fees are paid quarterly. Also, each non-employee director may be reimbursed for his reasonable expenses incurred in the performance of his duties as a director as our Board of Directors determines from time to time. Our Compensation Committee periodically evaluates our director compensation program and determines whether any changes should be recommended to the Board. In that regard, while the foregoing director compensation program will continue for 2020, in February 2020, our directors agreed to defer the payment of their cash compensation for the first two quarters of 2020 as a cash saving measure, and to defer the issuance of shares of common stock.

The following table sets forth certain information concerning the compensation paid to non-employee directors in 2019 for their services as directors of the Company. The compensation of Mr. Rice, who serves as a director and serves as our President and Chief Executive Officer, is described in the Summary Compensation Table of Executive Officers. Our non-employee directors do not receive fringe or other benefits.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$) ⁽⁵⁾	Option Awards (\$)	Total (\$)
Salvatore Battinelli ⁽¹⁾	27,000	75,000	—	102,000
Dennis Duitch ⁽²⁾	32,000	75,000	—	107,000
Frank Garofalo ⁽³⁾	27,000	75,000	—	102,000
Kent Summers ⁽⁴⁾	72,000	75,000	—	147,000

- (1) The fees shown were paid to Mr. Battinelli for services as a director. In January 2019, the Company issued 5,000 shares of the Company's common stock to Mr. Battinelli, pursuant to the Company's 2013 Equity Incentive Plan, in connection with his service as a director, with such shares to vest in four equal, successive quarterly installments. Such shares were valued at \$75,000 or \$15.00 per share.
- (2) The fees shown were paid to Mr. Duitch for services as a director, including \$5,000 as a retainer for serving as the Chairman of the Audit Committee. In January 2019, the Company issued 5,000 shares of the Company's common stock to Mr. Duitch, pursuant to the Company's 2013 Equity Incentive Plan, in connection with his service as a director, with such shares to vest in four equal, successive quarterly installments. Such shares were valued at \$75,000 or \$15.00 per share.
- (3) The fees shown were paid to Mr. Garofalo for services as a director. In January 2019, the Company issued 5,000 shares, of the Company's common stock to Mr. Garofalo, pursuant to the Company's 2013 Equity Incentive Plan, in connection with his service as a director, with such shares to vest in four equal, successive quarterly installments. Such shares were valued at \$75,000 or \$15.00 per share. Mr. Garofalo resigned from the Board of Directors on February 19, 2020.
- (4) The fees shown were paid to Mr. Summers for services as a director, including \$45,000 for his additional services as a director in his capacity as the Chairman of the Special Projects Committee. In January 2019, the Company issued 5,000 shares of the Company's common stock to Mr. Summers, pursuant to the Company's 2013 Equity Incentive Plan, in connection with his appointment and service as a director, with such shares to vest in four equal, successive quarterly installments. Such shares were valued at \$75,000 or \$15.00 per share.
- (5) This column represents the aggregate grant date fair value of stock awards computed in accordance with FASB ASC Topic 718. These amounts do not correspond to the actual value that will be recognized by the named directors from these awards.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth certain information regarding beneficial ownership of our common stock as of March 20, 2020 (a) by each person known by us to own beneficially 5% or more of any class of our common stock, (b) by our named executive officers and each of our directors (and director nominees) and (c) by all executive officers and directors of the Company as a group.

The number of shares beneficially owned by each stockholder is determined in accordance with SEC rules. Under these rules, beneficial ownership includes any shares as to which a person has sole or shared voting power or investment power. Percentage ownership is based on 1,627,182 shares of our common stock outstanding on March 20, 2020. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock subject to stock options, warrants or other rights held by such person that are currently convertible or exercisable or will become convertible or exercisable within 60 days of March 24, 2020 are considered outstanding, although these shares are not considered outstanding for purposes of computing the percentage ownership of any other person.

Unless otherwise stated, the address of each 5% or greater beneficial holder is c/o Sigma Labs, Inc., 3900 Paseo del Sol, Santa Fe, New Mexico 87507. We believe, based on information provided to us, that each of the stockholders listed below has sole voting and investment power with respect to the shares beneficially owned by the stockholder unless noted otherwise, subject to community property laws where applicable.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percentage of Shares Beneficially Owned
Named Executive Officers and Directors		
John Rice ⁽¹⁾	42,024	2.5%
Ronald Fisher ⁽²⁾	5,383*	
Darren Beckett ⁽³⁾	5,794*	
Salvatore Battinelli ⁽⁴⁾	13,906*	
Dennis Dutich	10,749*	
Kent J. Summers	10,000*	
Mark K Ruport ⁽⁵⁾	22,653	1.4%
All executive officers and directors as a group (9 persons) ⁽⁶⁾	124, 843	7.1%
5% or Greater Stockholders		
Carl I. Schwartz ⁽⁷⁾	289,321	15.1%

*Less than 1%.

- (1) Includes 41,500 shares that may be acquired now or within 60 days of March 20, 2020 upon the exercise of outstanding stock options.
- (2) Includes 5,183 shares that may be acquired now or within 60 days of March 20, 2020 upon the exercise of outstanding stock options.
- (3) Includes 5,794 shares that may be acquired now or within 60 days of March 20, 2020 upon the exercise of outstanding stock options
- (4) Includes 3,084 shares that may be acquired now or within 60 days of March 20, 2020 pursuant to the conversion of shares of the Company’s Series E Preferred Stock.
- (5) Includes (a) 16,487 shares that may be acquired now or within 60 days of March 20, 2020 upon the exercise of outstanding stock options; and (b) 6,166 shares that may be acquired now or within 60 days of March 20, 2020 pursuant to the conversion of the shares of the Company’s Series E Preferred Stock.
- (6) Includes 69,214 shares that may be acquired now or within 60 days of March 20, 2020 upon the exercise of outstanding stock options and 12,334 shares that may be acquired now or within 60 days of March 20, 2020 pursuant to the conversion of the shares of the Company’s Series E Preferred Stock.
- (7) Includes 49,321 shares that may be acquired now or within 60 days of March 20, 2020 pursuant to the conversion of the Company’s Series E Preferred Stock The address of Carl I. Schwartz is 3750 Las Vegas Blvd. South, Apartment 4303, Las Vegas, Nevada, 89518.

Equity Compensation Plan Information

The following table provides certain information with respect to our equity compensation plans as of December 31, 2019.

Plan Category	(a)	(b)	(c)
	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
2013 Equity Incentive Plan(1)	547,130	\$ 23.14	8,211
Equity compensation plans not approved by security holders	-	N/A	-

(1) On March 15, 2013, the Company’s board of directors approved the Company’s 2013 Equity Incentive Plan. The 2013 Equity Incentive Plan was approved by holders of at least a majority of the issued and outstanding shares of common stock of the Company on October 10, 2013. Pursuant to the 2013 Equity Incentive Plan, the Company is authorized to grant “incentive stock options” and “non-qualified stock options”, grant or sell common stock subject to restrictions or without restrictions, and grant stock appreciation rights to employees, officers, directors, consultants and advisers of the Company and its subsidiaries. Incentive stock options granted under the 2013 Equity Incentive Plan are intended to qualify as “incentive stock options” within the meaning of Section 422 of the Internal Revenue Code (the “Code”). Non-qualified stock options granted under the 2013 Equity Incentive Plan are not intended to qualify as incentive stock options under the Code. As of December 31, 2019, the Company issued an aggregate of 50,886 shares of the Company’s common stock, as well as options to purchase up to 180,903 shares of the Company’s common stock, some of which are subject to vesting restrictions, pursuant to the Company’s 2013 Equity Incentive Plan. On July 18, 2018, an amendment to our 2013 Equity Incentive Plan was approved by holders of at least a majority of the issued and outstanding shares of common stock of the Company, to increase the number of shares of our common stock subject to the 2013 Equity Incentive Plan to 240,000.

Other Equity Compensation

We have entered into various engagement and placement agent agreements with Dawson James Securities, Inc. (“Dawson”) for which compensation has been paid with equity securities that have been previously disclosed in our filings with the SEC, including warrants issued in April 2018 to purchase up to 14,000 shares of common stock at an exercise price of \$14.70 per share and a Unit Purchase Option issued in June 2018 to acquire up to 19,120 Units, at an exercise price of \$12.50 per Unit, consisting of 19,120 shares of common stock and warrants to purchase up to 5,736 shares of common stock at an exercise price of \$10.80. In connection with our January 27, 2020 private placement of equity securities, we issued Dawson James a warrant to purchase up to 17,004 shares of common stock at an initial exercise price of \$11.30.

On August 5, 2019 we entered into an agreement with MHZCI, LLC to provide investor relations services to the Company. Pursuant to the terms of the agreement, as partial compensation for services to be rendered 5,000 shares of common stock of the Company are to be issued to MHZCI, LLC as follows (1) 2,500 shares on or before the 10th day following the Effective Date of the agreement, and (2) 2,500 shares on or before the 10th day following the six month anniversary of the agreement, if the agreement is still then in effect. Accordingly, on August 15, 2019 the Company issued 2,500 shares of common stock to MHZCI, LLC, and on February 14, 2020 the Company issued an additional 2,500 shares of common stock to MHZCI, LLC.

On November 18, 2019, we entered into a six-month consulting agreement with Iron Dome Ventures, LLC to provide certain investor relations related services to the Company. Pursuant to the terms of the agreement, as partial compensation for services to be rendered we agreed to issue to Iron Dome Ventures LLC each month, beginning on the Effective Date, and subsequently on the 18th of each month during the term of the agreement, a warrant to purchase 833 shares of the Company’s common stock at an exercise price of \$0.10.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The following summarizes transactions by us in which any of our directors, director nominees, executive officers or, to our knowledge, beneficial owners of more than 5% of our capital stock or any member of the immediate family of any of the foregoing persons had or will have a direct or indirect material interest, other than equity and other compensation, termination, change in control and other arrangements, which are described under “Executive Compensation” and “Director Compensation” above.

Transactions with Directors and Officers

On August 8, 2017, we engaged Garofalo & Associates, LLC, a limited liability company owned and controlled by Mr. Garofalo, a former director of the Company, to provide services to the Company as corporate development consultant and financial advisor. Under the engagement letter agreement, Garofalo & Associates, LLC, is entitled to receive in consideration for its services a monthly retainer of \$3,000 in cash during the term of the engagement (the engagement may be terminated by both parties upon 30 days’ written notice), and (i) 10,500 shares of common stock of the Company upon the closing of an acquisition by the Company of all or substantially all of the equity or assets (or a controlling interest therein) (the “Closing”) with respect to a specified entity (the value of such shares would have been \$238,350 if such shares would have been issued on August 8, 2017, based on a closing price per share of \$22.70 on such date), and (ii) 7,500 shares of common stock of the Company upon the Closing with respect to at least one of two other specified entities (the value of such shares would have been \$170,250 if such shares would have been issued on August 8, 2017, based on a closing price per share of \$22.70 on such date). As of the date of this Annual Report, there are no agreements with respect to the acquisition by the Company of any third party, and there can be no assurance that any agreements will be entered into or, if entered into, that any acquisition or other transaction will be consummated.

On December 3, 2019, we entered into an employment letter agreement with Mark Ruport, effective as of December 3, 2019 (the “Effective Date”), pursuant to which Mr. Ruport has agreed to serve as our Executive Chairman on an “at-will” basis. Additionally, Mr. Ruport was appointed to serve as a member of our Board of Directors, effective as of December 3, 2019, with a term expiring at the 2021 annual meeting of stockholders.

Under the employment letter agreement, Mr. Ruport is entitled to (i) an annual base salary of \$155,000 (such base salary is not subject to decrease, but may be increased in the discretion of the Company’s Compensation Committee of the Board of Directors based on annual or special case assessments of Mr. Ruport’s performance and other factors), (ii) all benefits that we elect in our sole discretion to provide from time to time to our other executive officers, and (iii) a grant of (1) a five-year stock option to purchase up to 10,000 shares of common stock of the Company, which will have an exercise price equal to the closing price of the Company’s common stock on the Effective Date, and will vest and become exercisable in full on the first month’s anniversary of the Effective Date, and (2) a five-year stock option to purchase up to 40,000 shares of common stock of the Company, which will have an exercise price equal to the closing price of the Company’s common stock on the Effective Date, and will vest and become exercisable in equal (as closely as possible) monthly installments over three years from the Effective Date, provided, in each case, that Mr. Ruport remains an employee of the Company through such vesting date.

Such options will be on such other terms and provisions as are contained in the Company’s standard form nonqualified stock option agreement; provided, however, that (x) upon the occurrence of a Change of Control (as defined in the employment letter agreement), any unvested portion of the options as of the date of such Change of Control will immediately and automatically vest; provided, however, that, the options may be assumed or, in the discretion of the Board of Directors, an equivalent option may be substituted by an applicable successor corporation or any subsidiary of the successor corporation in connection with a Change of Control), and (y) in the event that the Board of Directors determines that Mr. Ruport is unable to perform his duties as the Company’s Executive Chairman due to an accident, illness or other event or condition which physically or mentally incapacitates him for a period of 45 consecutive days (“Disability”), if he ceases to be employed by the Company as a result of a Disability, the options will continue to vest and remain exercisable for the 5-year term of the options in accordance with the terms of the option agreements.

Additionally, during the term of his employment, Mr. Ruport will be eligible to receive one or more bonuses relating to each fiscal year in recognition of his achievement of individual and Company goals established by the Board of Directors from time to time. However, the decision to provide any such bonuses and the amount and terms of any such bonuses will be in the sole discretion of the Board of Directors.

We have entered into an “at will” employment agreement, effective as of July 1, 2019, with Frank Orzechowski under which he was engaged to serve as our Chief Financial Officer, Treasurer, Principal Accounting Officer and Corporate Secretary of the Company. Mr. Orzechowski is entitled to receive an annual base salary of \$135,000. Pursuant to the employment agreement, Mr. Orzechowski was granted (1) a stock option to purchase up to 250 shares of common stock of the Company, at an exercise price equal to \$14.00 per share, which was the closing market price of the Company’s common stock on July 1, 2019 (i.e., the Effective Date), and (2) to purchase up to 6,000 shares of common stock of the Company, with an exercise price of \$14.00, and will vest and become exercisable as follows: 387 shares will vest and become exercisable on the one-year anniversary of the Effective Date, 900 shares will vest and become exercisable on the second-year anniversary of the Effective Date, 1,413 shares will vest and become exercisable on the third-year anniversary of the Effective Date, and 3,300 shares will vest and become exercisable on the fourth-year anniversary of the Effective Date, provided, in each case, that Mr. Orzechowski remains an employee of the Company through such vesting dates. Further, Mr. Orzechowski is eligible to participate in the Company’s 2013 Equity Incentive Plan, and is eligible to receive medical and dental benefits, life insurance, short and long-term disability coverage, and to participate in the Company’s Section 125 cafeteria plan, vision plan and 401K plan. On February 19, 2020 the Company increased Mr. Orzechowski’s annual base salary to \$155,000 effective March 1, 2020.

On January 27, 2020 the Company entered into a Securities Purchase Agreement (the “SPA”) with certain of its directors (Mark K. Ruport, Salvatore Battinelli and Frank Garofalo, a former director) and Carl Schwartz, the Company’s largest shareholder. Pursuant to the SPA, the Company issued and sold 333.33 shares of the Company’s Series E Convertible Preferred Stock (the “Series E Preferred Stock”), and Class A Warrants to purchase 48,544 shares of the Company’s Common Stock (the “Common Warrants”) for a total gross purchase price of \$500,000. The Series E Preferred Stock is initially convertible into 48,544 shares of Common Stock, and the Class A Warrants have an initial exercise price of \$11.30 per share.

Indemnification Agreements

We have entered into indemnification agreements with each of our directors and executive officers. These agreements, among other things, require us to indemnify each director and executive officer to the fullest extent permitted by Nevada law, including indemnification of expenses such as attorneys’ fees, judgments, fines and settlement amounts incurred by the director or executive officer in any action or proceeding, including any action or proceeding by or in the right of us, arising out of the person’s services as a director or executive officer.

Policies and Procedures for Related Person Transactions

Our Audit Committee is responsible for reviewing and approving, as appropriate, all transactions with related persons (other than compensation-related matters, which should be reviewed by our Compensation Committee), in accordance with its Charter and the Nasdaq marketplace rules. In reviewing and approving any such transactions, our Audit Committee is tasked to consider all relevant facts and circumstances, including, but not limited to, whether the transaction is on terms comparable to those that could be obtained in an arm’s length transaction and the extent of the related person’s interest in the transaction.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Our Audit Committee has approved Haynie & Company (“H&C”) to continue as our independent registered public accounting firm to audit our financial statements for the fiscal year ending December 31, 2019.

During the Company's two most recent fiscal years, neither we nor anyone acting on our behalf consulted with H&C regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on our financial statements, and neither a written report nor oral advice was provided to the Company that H&C concluded was an important factor considered by the Company in reaching a decision as to the accounting, auditing or financial reporting issue, or (ii) any matter that was either the subject of a disagreement (as defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions to Item 304 of Regulation S-K) or a reportable event (as defined in Item 304(a)(1)(v) of Regulation S-K).

Fees Paid to the Independent Registered Public Accounting Firm

The following table sets forth fees billed with respect to the years ended December 31, 2019 and 2018:

	2019	2018
Audit Fees	\$ 71,300	\$ 85,270
Audit Related Fees	34,600	14,600
Tax Fees	2,500	4,000
	<u>\$ 108,400</u>	<u>\$ 103,870</u>

In the above table, in accordance with the SEC's definitions and rules, "audit fees" are fees that Sigma Labs, Inc. paid for professional services for the audit of our financial statements included in our Form 10-K and for services that are normally provided by the registered public accounting firm in connection with statutory and regulatory filings or engagements; "audit-related fees" are fees for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements; and "tax fees" are fees for tax compliance, tax advice and tax planning.

Our Board of Directors established an Audit Committee written charter in February 2017. The Audit Committee's pre-approval policies and procedures and other protocols are discussed in its written charter which can be found at www.sigmalabsinc.com under the tab "Investors."

Auditor Independence

In our fiscal year ended December 31, 2019, there were no professional services provided, other than those listed above, that would require our Audit Committee to consider their compatibility with maintaining the independence of Haynie & Company.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

Our financial statements and related notes thereto are listed and included in this Annual Report beginning on page F-1. The following documents are furnished as exhibits to this Form 10-K. Exhibits marked with an asterisk are filed herewith. The remainder of the exhibits previously have been filed with the SEC and are incorporated herein by reference.

Exhibit Number	Description
1.1	<u>Placement Agency Agreement, dated as of March 13, 2019, between Sigma Labs, Inc. and Dawson James Securities, Inc. (filed as Exhibit 1.1 to the Company's Current Report on Form 8-K filed March 14, 2019, and incorporated herein by reference).</u>
1.2	<u>Underwriting Agreement, dated July 30, 2019, by and among Sigma Labs, Inc. and Aegis Capital Corp. acting as the representative of the several underwriters named on Schedule I thereto (filed as Exhibit 1.1 to the Company's Current Report on Form 8-K filed August 1, 2019, and incorporated herein by reference).</u>
3.1	<u>Amended and Restated Articles of Incorporation of the Company, as amended (previously filed by the Company as Exhibit 3.1 to the Company's Form 10-K, filed on April 1, 2019, and incorporated herein by reference).</u>
3.2	<u>Certificate of Correction to Amended and Restated Articles of Incorporation, as filed with the Nevada Secretary of State on May 25, 2011 (filed as Exhibit 3.2 to the Company's Current Report on Form 8-K filed June 1, 2011, and incorporated herein by reference).</u>
3.3	<u>Articles of Merger (filed as Exhibit 3.3 to the Company's Form 10-K, filed on March 16, 2016, for the fiscal year ended December 31, 2015, and incorporated herein by reference).</u>
3.4	<u>Certificate of Change Pursuant to NRS 78.209 (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed March 21, 2016, and incorporated herein by reference).</u>
3.5	<u>Certificate of Change Pursuant to NRS 78.209 (filed as Exhibit 3.2 to the Company's Current Report on Form 8-K filed February 21, 2017, and incorporated herein by reference).</u>
3.6	<u>Certificate of Change Pursuant to NRS 78.209. (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed February 28, 2020, and incorporated herein by reference).</u>
3.7	<u>Certificate of Designation of Rights, Preference and Privileges of Series A Convertible Preferred Stock (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed February 21, 2017, and incorporated herein by reference).</u>
3.8	<u>Certificate of Designation of Rights, Preference and Privileges of Series B Convertible Preferred Stock (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed April 6, 2018, and incorporated herein by reference).</u>
3.9	<u>Certificate of Designation of Rights, Preference and Privileges of Series C Convertible Preferred Stock of Sigma Labs, Inc. (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed June 26, 2018, and incorporated herein by reference).</u>
3.10	<u>Certificate of Designations (Series D Convertible Preferred Stock) (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed on January 30, 2020 and incorporated herein by reference).</u>
3.11	<u>Certificate of Designations (Series EA Convertible Preferred Stock) (filed as Exhibit 10.7 to the Company's Current Report on Form 8-K filed January 30, 2020 and incorporated herein by reference).</u>
3.12	<u>Amended and Restated Bylaws of the Company, as amended (filed as Exhibit 3.1 to the Company's Form 10-Q filed November 14, 2017, for the period ended September 30, 2017, and incorporated herein by reference).</u>
4.1	<u>Form of Common Stock Purchase Warrant (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed April 6, 2018, and incorporated herein by reference).</u>
4.2	<u>Form of Placement Agent Warrants (filed as Exhibit 4.2 to the Company's Current Report on Form 8-K filed April 6, 2018, and incorporated herein by reference).</u>
4.3	<u>Form of Common Stock Purchase Warrant.(filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed June 26, 2018, and incorporated herein by reference).</u>
4.4	<u>Form of Common Stock Purchase Warrant (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed March 14, 2019, and incorporated herein by reference).</u>
4.5	<u>Form of Unit Purchase Option (filed as Exhibit 4.2 to the Company's Current Report on Form 8-K filed March 14, 2019, and incorporated herein by reference).</u>
4.6	<u>Form of Common Stock Purchase Warrant.(filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed May 8, 2019, and incorporated herein by reference).</u>
4.7	<u>Form of Placement Agent Warrant (filed as Exhibit 4.2 to the Company's Current Report on Form 8-K filed May 8, 2019, and incorporated herein by reference).</u>
4.8	<u>Form of Institutional Common Warrant (filed as Exhibit 10.4 to the Company's Current Report on Form 8-K, filed January 30, 2020, and incorporated herein by reference).</u>
4.9	<u>Form of Preferred Warrant (filed as Exhibit 10.5 to the Company's Current Report on Form 8-K, filed January 30, 2020, and incorporated herein by reference).</u>
4.10	<u>Form of Class A Warrant(filed as Exhibit 10.8 to the Company's Current Report on Form 8-K, filed January 30, 2020, and incorporated herein by reference).</u>
4.11	<u>Description of Securities. **</u>
10.1	<u>Asset Purchase Agreement dated April 17, 2010 between B6 Sigma, Inc. and Technology Management Company, Inc. (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K/A filed November 12, 2010, and incorporated herein by reference).</u>

- 10.2 [Form of Nonqualified Stock Option Agreement for the Plan \(previously filed by the Company as Exhibit 10.4 to the Company's Form 10-K, filed on April 1, 2019, and incorporated herein by reference\)](#)
- 10.3 [Form of Incentive Stock Option Agreement for the 2013 Equity Incentive Plan \(filed as Exhibit 4.3 to the Company's Form S-8 Registration Statement, filed on July 24, 2014, and incorporated herein by reference\).*](#)
- 10.4 [Form of Restricted Stock Agreement for the Plan \(previously filed by the Company as Exhibit 10.6 to the Company's Form 10-K, filed on April 1, 2019, and incorporated herein by reference\).](#)
- 10.5 [Employment Offer Letter Agreement, effective August 10, 2015, between Sigma Labs, Inc. and Ronald Fisher \(Filed as Exhibit 10.12 to the Company's Form 10-K, filed on March 16, 2016, for the fiscal year ended December 31, 2015, and incorporated herein by reference\).*](#)
- 10.6 [Form of Indemnification Agreement for directors and officers of Sigma Labs, Inc. \(filed as Exhibit 10.12 to the Company's Registration Statement on Form S-1, filed on July 28, 2016, and incorporated herein by reference\).*](#)
- 10.7 [Summary of unwritten Employment Agreement between Sigma Labs, Inc. and John Rice entered into on August 8, 2017 \(filed as Exhibit 10.2 to the Company's Form 10-Q, filed on November 14, 2017, for the period ended September 30, 2017, and incorporated herein by reference\).*](#)
- 10.8 [Amendment No. 1, dated September 18, 2017, to Employment Offer Letter Agreement, effective August 10, 2015, between Sigma Labs, Inc. and Ronald Fisher \(filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed on September 20, 2017 and incorporated herein by reference\).*](#)
- 10.9 [Amendment No. 2, dated February 21, 2018, to Employment Offer Letter Agreement between the Company and Ronald Fisher \(filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 27, 2018 and incorporated herein by reference\).*](#)
- 10.10 [Securities Purchase Agreement, dated as of April 6, 2018, between Sigma Labs, Inc. and the Purchasers thereunder \(filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 6, 2018 and incorporated herein by reference\).](#)
- 10.11 [Employment Agreement, effective as of September 25, 2017, between Darren Beckett and Sigma Labs, Inc. \(filed as Exhibit 10.1 to the Company's Form 10-Q, filed on November 14, 2018, for the period ended September 30, 2018, and incorporated herein by reference\).*](#)
- 10.12 [Securities Purchase Agreement, dated as of May 7, 2019, between the Company and the Purchaser \(filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed May 8, 2019, and incorporated herein by reference\).](#)
- 10.13 [Employment letter agreement, effective as of July 1, 2019, between the Company and Frank D. Orzechowski. \(filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed August 14, 2019, and incorporated herein by reference\) *](#)
- 10.14 [2013 Equity Incentive Plan, as amended, of Sigma Labs, Inc. \(previously filed by the Company as Annex A to the Company's Definitive Proxy Statement on Schedule 14A filed on June 18, 2019, and incorporated herein by reference\).*](#)
- 10.15 [Employment letter agreement, effective as of December 3, 2020, between the Company and Mark Rupert.***](#)
- 10.16 [Securities Purchase Agreement \(Institutional Investors\) \(filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed January 27, 2020, and incorporated herein by reference\).](#)
- 10.17 [Registration Rights Agreement \(filed as Exhibit 10.3 to the Company's Current Report on Form 8-K, filed January 27, 2020, and incorporated herein by reference\).](#)
- 10.18 [Securities Purchase Agreement \(Other Investors\) \(filed as Exhibit 10.6 to the Company's Current Report on Form 8-K, filed January 27, 2020, and incorporated herein by reference\).](#)
- 10.19 [Private Placement Agreement \(filed as Exhibit 10.9 to the Company's Current Report on Form 8-K, filed January 27, 2020, and incorporated herein by reference\).](#)
- 10.20 [Form of Limited Waiver \(filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed February 4, 2020, and incorporated herein by reference\).](#)

23.1	<u>Consent of Haynie & Company.**</u>
31.1	<u>Certificate of principal executive officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.**</u>
31.2	<u>Certificate of principal financial officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.**</u>
32.1	<u>Certificate 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.***</u>
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

* Indicates a management contract or compensatory plan or arrangement.

** Filed herewith.

*** Furnished herewith.

ITEM 16. FORM 10-K SUMMARY.

We may voluntarily include a summary of information required by Form 10-K under this Item 16. We have elected not to include such summary information.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

March 24, 2020

By: /s/ John Rice
John Rice
President and Chief Executive Officer
(Principal Executive Officer)

March 24, 2020

By: /s/ Frank Orzechowski
Frank Orzechowski
Chief Financial Officer
(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ John Rice</u> John Rice	President and Chief Executive Officer (Principal Executive Officer) and Director	March 24, 2020
<u>/s/ Frank Orzechowski</u> Frank Orzechowski	Chief Financial Officer (Principal Financial and Accounting Officer)	March 24, 2020
<u>/s/ Mark K. Ruport</u> Mark K. Ruport	Executive Chairman Director	March 24, 2020
<u>/s/ Salvatore Battinelli</u> Salvatore Battinelli	Director	March 24, 2020
<u>/s/ Dennis Duitch</u> Dennis Duitch	Director	March 24, 2020
<u>/s/ Kent Summers</u> Kent Summers	Director	March 24, 2020

Index to Financial Statements

Financial Statements:

Report of Independent Registered Public Accounting Firm	F-2
Balance Sheets	F-3
Statements of Operations	F-4
Statement of Stockholders' Equity	F-5
Statements of Cash Flows	F-6
Notes to Financial Statements	F-7



Certified Public Accountants (a professional corporation)
50 West Broadway, Suite 600 Salt Lake City, UT 84101 (801) 532-7800 Fax (801) 328-4461

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Sigma Labs, Inc.

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Sigma Labs, Inc. (the Company) as of December 31, 2019 and 2018, and the related statements of operations, stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2019, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Haynie & Company

Haynie & Company
Salt Lake City, Utah
March 24, 2020

We have served as the Company's auditor since 2018.



Sigma Labs, Inc.
Balance Sheets

ASSETS	December 31, 2019	December 31, 2018
Current Assets:		
Cash	\$ 86,919	\$ 1,279,782
Accounts Receivable, net	55,540	38,800
Note Receivable, net	-	121,913
Inventory	598,718	240,086
Prepaid Assets	199,727	67,255
Total Current Assets	940,904	1,747,836
Other Assets:		
Property and Equipment, net	128,723	277,944
Intangible Assets, net	569,341	404,978
Investment in Joint Venture	500	500
Long-Term Prepaid Asset	52,000	-
Total Other Assets	750,564	683,422
TOTAL ASSETS	\$ 1,691,468	\$ 2,431,258
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable	\$ 727,114	\$ 217,488
Note Payable	50,000	50,000
Deferred Revenue	139,447	51,498
Accrued Expenses	122,658	376,833
Total Current Liabilities	1,039,219	695,819
Long-Term Liabilities	-	-
TOTAL LIABILITIES	1,039,219	695,819
Commitments & Contingencies		
Stockholders' Equity		
Preferred Stock, \$0.001 par; 10,000,000 shares authorized; none issued and outstanding	-	-
Common Stock, \$0.001 par; 2,250,000 shares authorized; 1,403,759 and 877,663 issued and outstanding, respectively	1,404	878
Additional Paid-In Capital	26,746,439	21,509,306
Accumulated Deficit	(26,095,594)	(19,774,745)
Total Stockholders' Equity	652,249	1,735,439
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,691,468	\$ 2,431,258

See accompanying notes to financial statements

Sigma Labs, Inc.
Statements of Operations

	Years Ended	
	December 31, 2019	December 31, 2018
REVENUES	\$ 402,446	\$ 388,574
COST OF REVENUE	574,301	270,107
GROSS PROFIT (LOSS)	(171,855)	118,467
EXPENSES:		
Salaries & Benefits	2,354,329	2,056,584
Stock-Based Compensation	797,238	1,145,530
Operating R&D Costs	647,994	493,410
Investor & Public Relations	703,710	633,035
Legal & Professional Service Fees	664,403	564,854
Office Expenses	692,881	466,657
Depreciation & Amortization	192,569	192,374
Other Operating Expenses	158,706	134,827
Total Operating Expenses	6,211,830	5,687,271
LOSS FROM OPERATIONS	(6,383,685)	(5,568,804)
OTHER INCOME (EXPENSE)		
Interest Income	18,760	35,178
State Incentives	51,877	-
Bad Debt Expense	(2,500)	-
Exchange Rate Gain (Loss)	(4,879)	162
Other Income	8,263	-
Interest Expense	(8,685)	(3,966)
Loss on Disposal of Assets	-	(36,733)
Total Other Income (Expense)	62,836	(5,359)
LOSS BEFORE PROVISION FOR INCOME TAXES	(6,320,849)	(5,574,163)
Provision for Income Taxes	-	-
Net Loss	\$ (6,320,849)	\$ (5,574,163)
Preferred Dividends	-	(15,125)
Net Loss applicable to Common Stockholders	\$ (6,320,849)	\$ (5,589,288)
Net Loss per Common Share - Basic and Diluted	\$ (5.37)	\$ (8.10)
Weighted Average Number of Shares Outstanding - Basic and Diluted	1,176,278	689,805

See accompanying notes to financial statements

Sigma Labs, Inc.
Statement of Stockholders' Equity
For The Years Ended December 31, 2019 and 2018

	Common Stock Shares	Common Stock Amount	Additional Paid in Capital	Accumulated Deficit	Totals
Balance December 31, 2017	497,893	\$ 498	\$ 17,196,875	\$ (14,185,457)	\$ 3,011,916
Shares issued for services – net of forfeitures	20,000	20	256,244	-	256,264
Shares and warrants sold in public offering, net of offering costs	204,000	204	1,722,196	-	1,722,400
Convertible preferred shares sold	-	-	1,224,000	-	1,224,000
Shares issued for conversion of preferred	135,000	135	(135)	-	-
Shares issued from exercise of warrants	17,790	18	192,114	-	192,132
Shares issued for note & accrued interest conversion	2,500	2	49,998	-	50,000
Shares issued for cashless exchange of warrants	480	1	(1)	-	-
Preferred dividends paid upon conversion	-	-	-	(15,125)	(15,125)
Stock based compensation	-	-	868,015	-	868,015
Net loss	-	-	-	(5,574,163)	(5,574,163)
Balance December 31, 2018	877,663	\$ 878	\$ 21,509,306	\$ (19,774,745)	\$ 1,735,439
Shares issued for services – net of forfeitures	22,650	23	320,087	-	320,110
Shares and warrants sold in public offering, net of offering costs	447,580	447	3,816,345	-	3,816,792
Warrants issued for services	-	-	15,569	-	15,569
Shares sold in PIPE, net of offering costs	40,000	40	514,960	-	515,000
Shares issued from exercise of warrants	7,023	7	75,841	-	75,848
UPO proceeds in Public Offering	-	-	100	-	100
Shares issued for cashless exchange of unit purchase options	8,843	9	(9)	-	-
Stock based compensation	-	-	494,240	-	494,240
Net loss	-	-	-	(6,320,849)	(6,320,849)
Balance December 31, 2019	1,403,759	\$ 1,404	\$ 26,746,439	\$ (26,095,594)	\$ 652,249

See accompanying notes to financial statements

Sigma Labs, Inc. and Subsidiaries
Statements of Cash Flows

	Years Ended	
	December 31, 2019	December 31, 2018
OPERATING ACTIVITIES		
Net Loss	\$ (6,320,849)	\$ (5,574,163)
Adjustments to reconcile Net Loss to Net Cash used in operating activities:		
Noncash Expenses:		
Depreciation and Amortization	192,569	192,374
Stock Based Compensation	797,240	1,145,530
Stock Issued for Third Party Services	17,110	-
Warrants Issued for Third Party Services	15,569	-
Loss on Write-off of Asset	-	36,733
Change in assets and liabilities:		
Accounts Receivable	(16,740)	65,738
Interest Receivable	-	34,390
Inventory	(358,632)	(24,844)
Prepaid Assets	(184,472)	(1,652)
Accounts Payable	509,626	116,604
Deferred Revenue	87,949	15,818
Accrued Expenses	(254,175)	230,501
NET CASH USED IN OPERATING ACTIVITIES	(5,514,805)	(3,762,971)
INVESTING ACTIVITIES		
Purchase of Property and Equipment	(33,487)	(79,116)
Purchase of Intangible Assets	(174,224)	(149,409)
Payment Received from Notes Receivable	121,913	632,197
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(85,798)	403,672
FINANCING ACTIVITIES		
Gross Proceeds from issuance of Convertible Preferred and Warrants	-	1,350,000
Gross Proceeds from issuance of Common Stock and Warrants	4,981,221	2,040,100
Less Offering Costs	(649,329)	(433,700)
Proceeds from exercise of Warrants	75,848	192,132
Dividends on Preferred	-	(15,125)
NET CASH PROVIDED BY FINANCING ACTIVITIES	4,407,740	3,123,407
NET CHANGE IN CASH FOR PERIOD	(1,192,863)	(235,892)
CASH AT BEGINNING OF PERIOD	1,279,782	1,515,674
CASH AT END OF PERIOD	\$ 86,919	\$ 1,279,782
Supplemental Disclosures:		
Noncash investing and financing activities disclosure:		
Conversion of Convertible Debt for Stock	\$ -	\$ (50,000)
Common Stock Issued for Conversion of Series B&C Preferred	-	1,350
Common Stock Issued for Cashless Exchange of Warrants	-	5
Common Stock Issued for Cashless Exchange of Unit Purchase Options	88	-
Other noncash operating activities disclosure:		
Issuance of Common Stock and Warrants for services	\$ 335,679	\$ 256,264
Disclosure of cash paid for:		
Interest	\$ 5,069	\$ 12,205
Income Taxes	\$ -	\$ -

See accompanying notes to financial statements

SIGMA LABS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 – Summary of Significant Accounting Policies

Nature of Business –Sigma Labs, Inc., formerly named Framewaves, Inc., a Nevada corporation, was founded by a group of scientists, engineers and businessmen to develop and commercialize novel and unique manufacturing and materials technologies. Sigma believes that some of these technologies will fundamentally redefine conventional quality assurance and process control practices by embedding them into the manufacturing processes in real time, enabling process intervention and ultimately leading to closed loop process control. The Company anticipates that its core technologies will allow its clientele to combine advanced manufacturing quality assurance and process control protocols with novel materials to achieve breakthrough product potential in many industries including aerospace, defense, oil and gas, bio-medical, and power generation. The terms the “Company,” “Sigma,” “we,” “us” and “our” refer to Sigma Labs, Inc.

Reverse Stock Split - Effective February 27, 2020, our Articles of Incorporation were amended to provide for a reverse stock split of the outstanding shares of our common stock on a 1-for-10 basis (the “Reverse Stock Split”), and a corresponding decrease in the number of shares of our common stock that we are authorized to issue (the “Share Decrease”). The effects of the stock split have been retroactively reflected to all periods presented.

Basis of Presentation – The accompanying financial statements have been prepared by the Company in accordance with Generally Accepted Accounting Principles (“GAAP”) in the United States of America. 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 December 31, 2019 and 2018 and for the periods then ended have been made.

Continuing Operations – The Company has sustained losses and had negative cash flows from operating activities since its inception. Commencing in 2017, the company committed itself to a focused initiative to transition its product and its company culture from research and development into an enterprise with a commercial industrial product and a business-oriented operation culture.

In 2019, the Company relied on both public and private offerings to finance the commencement of commercialization by entering test and evaluation programs with large potential customers, both end-users and OEMs. On March 15, 2019, the Company closed a public offering of equity securities resulting in net proceeds of approximately \$1,679,230, after deducting placement agent commissions and other offering expenses payable by the Company. In May 2019, the Company closed a private placement of equity securities resulting in net proceeds of approximately \$515,000, after deducting placement agent commissions and other offering expenses payable by the Company. In August 2019, the Company closed a public offering of equity securities resulting in net proceeds of approximately \$1,971,000, after deducting placement agent commissions and other offering expenses payable by the Company. In September 2019, Aegis Capital Corp. partially exercised its over-allotment option granted by the Company in the foregoing August 2019 public offering resulting in net proceeds of \$148,800 after deducting placement agent commissions.

The transition from 2018 and 2019 led into 2020 such that the continuing operations of the Company are no longer dependent upon financing the cost of product development in the absence of revenues, but rather now upon our abilities to finance our efforts to successfully ramp up commercialization, thus earning the product validation of both customer licensing and purchases and creating a dynamic in which public and private offerings facilitate the growth of revenues, thus attracting investor support for continuing investment even as the revenues begin the reduction of the company’s dependence on capital raises over time. In January 2020, the Company closed two private placements of equity securities resulting in net proceeds of approximately \$1,711,124 after deducting placement agent commissions and other offering expenses payable by the Company.

As a result, the Company currently has sufficient cash and working capital to fund operations through the end of the first quarter of 2020 and is anticipating that contracts may be closed during fiscal 2020 generating additional cash flow in the near-term. In addition, the Company has access to public and private markets from which to derive additional financing to sustain operations beyond that term, if required; however the Company is unable to predict the extent to which the novel coronavirus may affect the financial markets and the Company’s access to such markets. 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 and operations.

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.” Shares underlying the Company’s outstanding warrants, options or note conversion features were excluded due to the anti-dilutive effect they would have on the computation. At December 31, 2019 and 2018, the Company had the following common shares underlying these instruments:

	Year Ended December 31,	
	2019	2018
Warrants	363,727	305,060
Stock Options	180,903	82,627
Convertible Note Payable	2,500	2,500
Total Underlying Common Shares	547,130	390,187

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 five years unless a unique circumstance exists, which is then fully documented as an exception to the policy.

In accordance with its policy, the Company reviews the estimated useful lives of its fixed assets on an ongoing basis.

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

The Company has no tax positions at December 31, 2019 and 2018 for which the ultimate deductibility is highly uncertain 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 years ended December 31, 2019 and 2018, the Company recognized no interest and penalties. All tax years starting with 2016 are open for examination.

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. There was no allowance for doubtful accounts at December 31, 2019 or 2018.

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. \$50,255 of dental patents were written off in January of 2018, and \$23,909 of patents related to PrintRite3D[®] Contour were written off in December of 2019.

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.

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.

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.

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 sales of our software and related hardware suite and from providing engineering services under contracts. The Company recognizes revenue in accordance with ASC Topic No. 606. In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 is a comprehensive revenue recognition standard that superseded nearly all existing revenue recognition guidance under prior U.S. GAAP and replace it with a principles-based approach for determining revenue recognition. The core principle of the standard is the recognition of revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services.

In general, we determine revenue recognition by: (1) identifying the contract, or contracts, with our customer; (2) identifying the performance obligations in the contract; (3) determining the transaction price; (4) allocating the transaction price to performance obligations in the contract; and (5) recognizing revenue when, or as, we satisfy performance obligations by transferring the promised goods or services.

Deferred Stock Offering Costs – Costs related to 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, work-in-process and finished goods components which will be sold to customers. Inventories are valued at the lower of cost or net realizable value, using the first-in, first-out (FIFO) method.

Research and Development – Research and development costs are expensed as they are incurred. Research and development costs for the years ended December 31, 2019 and 2018 were \$647,994 and \$493,410, respectively.

NOTE 2 - Notes Receivable

On May 1, 2017, the Company made a loan in the principal amount of \$250,000 to Jaguar Precision Machine, LLC, a New Mexico limited liability company (“Jaguar”), pursuant to a Secured Convertible Promissory Note dated May 1, 2017 delivered by Jaguar to the Company. The loan bears interest at the rate of 7% per annum, was originally due and payable in full on August 1, 2018, is secured by certain assets of Jaguar, and is convertible at the Company’s option into 10% of the outstanding shares of the common stock of Jaguar unless Jaguar exercises its right under specified circumstances to repay all principal and accrued interest on the loan. On June 15, 2018, the Company received a \$150,000 payment from Jaguar, \$17,803 of which was applied to accumulated interest through that date and \$132,197 was applied to the principal balance of the note. The December 31, 2018 principal balance of the note was \$117,803 and the accumulated interest balance due was \$4,110. During the year ended 2019 payments totaling \$45,000 were received. The payments were applied first to the accumulated interest balance on the note and then to the remaining principal balance. On September 5, 2019, Jaguar paid the promissory note in full, including accrued interest.

NOTE 3 - Inventory

At December 31, 2019 and December 31, 2018, the Company’s inventory was comprised of:

	December 31 2019	December 31, 2018
Raw Materials	\$ 173,102	\$ 168,623
Work in Process	92,493	46,688
Finished Goods	333,123	24,775
Total Inventory	\$ 598,718	\$ 240,086

NOTE 4 – Property and Equipment

The following is a summary of property and equipment, less accumulated depreciation, as of December 31, 2019 and 2018:

	Year Ended December 31,	
	2019	2018
Property and Equipment	\$ 1,108,375	\$ 1,074,888
Less: Accumulated Depreciation	(979,652)	(796,944)
Net Property and Equipment	<u>\$ 128,723</u>	<u>\$ 277,944</u>

Depreciation expense on property and equipment was \$182,708 and \$190,280 for the years ended December 31, 2019 and 2018, respectively.

NOTE 5 – Intangible Assets

The Company's intangible assets consist of Patents and Patent Pending Applications.

Provisional patent applications are not amortized until a patent has been granted. Once a patent is granted, the Company will amortize the related costs over the estimated useful life of the patent. If a patent application is denied, then the costs will be expensed at that time.

During 2019, the Company wrote off \$23,909 of patent costs related to PrintRite3D[®] Contour, which application was allowed to lapse. In addition, \$91,863 of costs related to patents issued to us during 2019 were reclassified from provisional patent application to patent status and began to be amortized as of the date of issue.

The following is a summary of definite-life intangible assets less accumulated amortization as of December 31, 2019 and 2018, respectively:

	Year Ended December 31,	
	2019	2018
Provisional Patent Applications	\$ 448,714	\$ 366,353
Patents	138,936	47,073
Less: Accumulated Amortization	(18,309)	(8,448)
Net Intangible Assets	<u>\$ 569,341</u>	<u>\$ 404,978</u>

Amortization expense on intangible assets was \$9,861 and \$2,094 for the years ended December 31, 2019 and 2018, respectively.

The estimated aggregate amortization expense for each of the succeeding years ending December 31 is as follows:

2020	\$ 8,173
2021	8,173
2022	8,173
2023	8,173
Thereafter	<u>87,936</u>
	<u>\$ 120,628</u>

NOTE 6 - Notes Payable

In April 2018, the Company entered into an amendment of the remaining \$100,000 Secured Convertible Promissory Notes and Warrants which extended the payment due date to October 18, 2018, deleted the covenant providing for acceleration of the payment due date in the event of a public offering closing of at least \$3,000,000 and required the Company to pay the balance of accrued and unpaid interest as of the effective date of the amendment. The Company paid the \$8,761 balance of accrued interest to the holder in April 2018.

In May 2018 the Holder Converted \$50,000 of the Note principal into 2,500 shares of common stock and executed a cashless exercise of 2,400 of the warrants for an additional 480 shares of common stock.

In October 2018, the Note was amended pursuant to which the due date was extended to April 18, 2019. Under the amendment, Sigma paid the \$3,444 total accrued interest balance as of October 18, 2018 and agreed to make future payment dates of accrued interest on December 31, 2018 and April 18, 2019.

In April 2019, the Note was amended pursuant to which the due date was extended to October 18, 2019. Under the amendment, Sigma paid the \$2,514 total accrued interest balance through April 18, 2019 and agreed to make future payment dates of accrued interest on October 19, 2019.

In October 2019, the Note was amended pursuant to which the due date was extended to January 3, 2020. Under the amendment, Sigma paid the \$2,556 total accrued interest balance through October 18, 2019 and agreed to make future payment dates of accrued interest on January 3, 2020.

At December 31, 2019 the Company had the remaining \$50,000 Convertible Note outstanding plus accrued interest of \$1,028.

NOTE 7 – Stockholders' Equity

Common Stock

Effective February 27, 2020, our Articles of Incorporation were amended to provide for a reverse stock split of the outstanding shares of our common stock on a 1-for-10 basis (the "Reverse Stock Split"), and a corresponding decrease in the number of shares of our common stock that we are authorized to issue (the "Share Decrease").

The effects of the stock split have been retroactively reflected to all periods presented.

In January 2019, the Company issued 20,000 shares of common stock to directors valued at \$15.00 per share, or \$300,000, with such shares to vest ratably over four quarterly installments, subject in each case to such director's continuing service as a director.

Also in January 2019, the Company issued 8,843 shares of common stock upon the cashless exercise of Unit Purchase Options issued in our June 2018 public offering.

In January and February 2019, the Company issued a total of 7,023 shares of common stock upon the exercise of 7,023 warrants having an exercise price of \$10.80 resulting in gross cash proceeds of \$75,848.

In March 2019, the Company issued 150 shares of common stock valued at \$20.00 per share to the Company's Vice President of Business Development in connection with his achievement of performance milestones, with such shares vesting immediately.

Also in March 2019, the Company closed a public offering of equity securities in which it issued 140,080 shares of common stock and warrants to purchase a total of 42,024 shares of common stock resulting in net proceeds of approximately \$1,679,230, after deducting placement agent commissions and other offering expenses payable by the Company.

In May 2019, the Company closed a private placement of equity securities in which it issued 40,000 shares of common stock and warrants to purchase a total of 22,000 shares of common stock resulting in net proceeds of approximately \$515,000, after deducting placement agent commissions and other offering expenses payable by the Company.

On August 2, 2019, the Company closed a public offering of equity securities in which it issued 287,500 shares of common stock resulting in net proceeds of approximately \$1,971,000, after deducting commissions and other offering expenses payable by the Company.

On August 15, 2019, the Company issued 2,500 shares of common stock valued at \$6.84 per share to MHZCI, LLC, an investor relations firm engaged by the Company, as partial compensation for services to be rendered.

On September 13, 2019, Aegis Capital Corp. partially exercised its over-allotment option granted by the Company in the foregoing August 2019 public offering by purchasing an additional 20,000 shares of common stock, resulting in net proceeds of \$148,800 after deducting commissions.

During 2018, the Company issued 20,000 shares of common stock valued at \$12.80 per share as compensation for services, totaling \$256,264.

In May 2018, we issued an aggregate of 100,000 shares of common stock upon conversion of the 1,000 shares of Series B Preferred Stock issued in April 2018 (as described below under "Preferred Stock").

In May 2018, the Company issued 2,980 shares of common stock as the result of a conversion of the \$50,000 principal balance of Notes Payable and the cashless exercise of 2,400 warrants.

In June 2018, as part of its public offering of equity securities described in Note 1, the Company issued 350 shares of Series C convertible preferred stock, 204,000 shares of common stock, and warrants to purchase a total of 71,700 shares of common stock (including the warrants described under "Preferred Stock" below that were issued on June 26, 2018). Each warrant has an initial price of \$10.80 per share. The net proceeds to the Company were approximately \$2,068,900 after commissions and other offering expenses. The Company also issued to Dawson James Securities, Inc., its placement agent in the public offering, a Unit Purchase Option to acquire up to 19,120 Units, at an exercise price of \$12.50 per Unit, consisting of 19,120 shares of common stock and warrants to purchase up to 5,736 shares of common stock at an exercise price of \$10.80 as compensation.

Between August and October 2018, the Company issued 35,000 shares of common stock upon conversion of 350 shares of Series C Preferred Stock issued in June 2018 (as described below under "Preferred Stock").

Between October and December 2018, the Company issued 17,790 shares of common stock as the result of the exercise of warrants resulting in cash proceeds of \$192,132.

Deferred Compensation

In previous years and 2019, the Company issued to various employees, directors, and contractors shares of the Company's common stock, subject to restrictions, pursuant to the 2013 Equity Incentive Plan (the "2013 Plan"). Such shares were valued at the fair value at the date of issue. The fair value was expensed as compensation over the vesting period and recorded as a reduction of stockholders' equity. During 2019 and 2018, \$303,000 and \$277,515, respectively, of the unvested compensation cost related to these issues was recognized.

As of December 31, 2019, and 2018, the balance of unvested compensation to be recognized was \$0 and \$21,355, respectively, and is recorded as prepaid stock compensation as of those dates.

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 December 31, 2019 or 2018.

In April 2018, the Company issued 1,000 shares of the Company's newly-created non-voting Series B Convertible Preferred Stock, which were convertible into 100,000 shares of common stock and warrants to purchase an aggregate of 75,000 shares of the Company's common stock, for an aggregate purchase price of \$1,000,000. The Series B Convertible Preferred Stock was fully converted into shares of common stock during 2018. The warrants have an initial exercise price of \$14.70 per share, the closing price of the Company's common stock reported on The NASDAQ Capital Market on April 6, 2018, subject to adjustment in certain circumstances. The net proceeds to the Company were approximately \$877,500 after commissions and other offering expenses. The Company also issued to Dawson James Securities, Inc., its placement agent in the foregoing private placement, warrants to purchase up to 14,000 shares of common stock, at an exercise price of \$14.70 per share, as compensation. The warrants issued pursuant to this transaction are unexercised as of December 31, 2019.

In June 2018, as part of the public offering described in Note 1, the Company issued 350 shares of the Company's newly-created non-voting Series C Convertible Preferred Stock, which were convertible into 35,000 shares of common stock, and warrants to purchase an aggregate of 10,500 shares of the Company's common stock. The warrants have an initial exercise price of \$10.80 per share, 11% above the closing price of the Company's common stock reported on The NASDAQ Capital Market on June 26, 2018, subject to adjustment in certain circumstances.

Stock Options

In July 2019, at the Annual Meeting of Stockholders of the Company, the Company's stockholders approved an amendment to the 2013 Plan to increase the number of shares of the Company's common stock reserved for issuance under the 2013 Plan by 75,000 shares of our common stock to a total of 240,000 shares. As of December 31, 2019, an aggregate of 8,211 shares of common stock were reserved for issuance under the 2013 Plan.

During 2019, the Company granted a total of 100,326 options to 22 employees and 2 consultants with vesting periods ranging from immediately/upon issue to 4 years beginning January 1, 2019. In 2019, 38,143 options vested and \$494,240 of compensation cost was recognized during the year. As of December 31, 2019, there were options to purchase 180,903 shares issued and outstanding under the 2013 Plan. Of this amount, there are vested options exercisable for 88,163 shares of common stock. No options were exercised during the year ended December 31, 2019.

During 2018, the Company granted a total of 53,433 options to 18 employees and 1 consultant with vesting periods ranging from immediately/upon issue to 4 years beginning February 2018. In 2018, 41,549 options vested and \$868,015 of compensation cost was recognized during the year. As of December 31, 2018, there were options to purchase 82,627 shares issued and outstanding under the 2013 Plan. Of this amount, there are vested options exercisable for 50,098 shares of common stock. No options were exercised during the year ended December 31, 2018.

The Company generally grants stock options to employees and directors at exercise prices equal to the fair market value of the Company's stock on the dates of grant. Stock options are typically granted throughout the year and generally vest over four years of service and expire ten years from the date of the award, unless otherwise specified. The Company recognizes compensation expense for the fair value of the stock options over the requisite service period for each stock option award.

Total share-based compensation expense included in the statements of operations for the years ended December 31, 2019 and 2018 is \$797,238, of which \$494,240 is related to stock options, and \$1,145,530, of which \$868,015 is related to stock options, respectively. There was no capitalized share-based compensation cost as of December 31, 2019 and 2018, and there were no recognized tax benefits during the years ended December 31, 2019 and 2018.

To estimate the value of an award, the Company uses the Black-Scholes option-pricing model. This model requires inputs such as expected life, expected volatility and risk-free interest rate. The forfeiture rate also impacts the amount of aggregate compensation. These inputs are subjective and generally require significant analysis and judgment to develop. While estimates of expected life, volatility and forfeiture rate are derived primarily from the Company's historical data, the risk-free rate is based on the yield available on U.S. Treasury constant maturity rates with similar terms to the expected term of the stock option awards. The fair value of share-based awards was estimated using the Black-Scholes model with the following weighted-average assumptions for the years ended December 31, 2019 and 2018:

Assumptions:

	<u>2019</u>	<u>2018</u>
Dividend yield	0.00	0.00
Risk-free interest rate	1.42-2.53%	2.68-3.10%
Expected volatility	105.2-112.1%	104.9-137.3%
Expected life (in years)	5-10	5-10

Option activity for the year ended December 31, 2019 and 2018 was as follows:

	<u>Options</u>	<u>Weighted Average Exercise Price (\$)</u>	<u>Weighted Average Remaining Contractual Life (Yrs.)</u>	<u>Aggregate Intrinsic Value (\$)</u>
Options outstanding at December 31, 2017	29,994	4.57	7.33	16,600
Granted	53,433	1.45	6.58	0
Exercised	-	-	-	-
Forfeited or cancelled	(8,00)	4.59	-	-
Options outstanding at December 31, 2018	<u>82,627</u>	2.49	6.47	<u>60,090</u>
Granted	100,326	1.25	4.79	-
Exercised	-	-	-	-
Forfeited or cancelled	(2,050)	1.68	-	-
Options outstanding at December 31, 2019	<u>180,903</u>	1.81	5.09	<u>25,988</u>
Options expected to vest in the future as of December 31, 2019	92,740	1.38	4.88	1,792
Options exercisable at December 31, 2019	<u>88,163</u>	2.27	5.30	<u>24,196</u>
Options vested, exercisable, and options expected to vest at December 31, 2019	<u>180,903</u>	1.81	5.09	<u>25,988</u>

The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying awards and the quoted price of our common stock for those awards that have an exercise price currently below the \$9.82 closing price of our Common Stock on December 31, 2019. Six of the 2019 option grants have an exercise price currently below \$9.82.

At December 31, 2019, there was \$793,796 of unrecognized share-based compensation expense related to unvested share options with a weighted average remaining recognition period of 4.88 years.

Warrants

At December 31, 2019, the Company had outstanding warrants to purchase a total of 363,727 shares of common stock; 162,150 warrants at an exercise price of \$40.00 per share, which if not exercised, will expire on February 21, 2022, 89,000 warrants at an exercise price of \$14.70 per share, which if not exercised, will expire on October 07, 2023, 46,887 warrants at an exercise price of \$10.80 per share, which if not exercised, will expire on June 26, 2023, 42,024 warrants at an exercise price of \$16.10 per share, which if not exercised, will expire on March 15, 2024, 20,000 warrants with an exercise price of \$15.60 per share, which if not exercised, will expire on May 7, 2024, 2,000 warrants with an exercise price of \$17.50 per share, which if not exercised, will expire on May 7, 2024, and 1,666 warrants with an exercise price of \$0.10, which if not exercised, will expire on November 18, 2022.

Warrant activity for the year ended December 31, 2019 and 2018 was as follows:

	<u>Warrants</u>	<u>Weighted Average Exercise Price (\$)</u>	<u>Weighted Average Remaining Contractual Life (Yrs.)</u>
Warrants outstanding at December 31, 2017	164,550	39.70	4.11
Granted	160,700	13.00	4.64
Exercised	(20,190)	11.90	-
Forfeited or cancelled	-	-	-
Options outstanding at December 31, 2018	<u>305,060</u>	27.50	3.86
Granted	65,690	15.60	4.39
Exercised	(7,023)	10.80	-
Forfeited or cancelled	-	-	-
Warrants outstanding at December 31, 2019	<u>363,727</u>	25.60	3.12

NOTE 8 – Income Taxes

The Company accounts for income taxes in accordance with ASC Topic No. 740. This standard requires the Company to provide a net deferred tax asset or liability equal to the expected future tax benefit or expense of temporary reporting differences between book and tax accounting methods and any available operating loss or tax credit carryforwards. Income tax returns open for examination by the Internal Revenue Service consist of tax years ended December 31, 2016 through 2018.

The Company has available at December 31, 2019, unused operating loss carryforwards of approximately \$14,469,000, which may be applied against future taxable income and which expire in various years through 2039. However, if certain substantial changes in the Company's ownership should occur, there could be an annual limitation on the amount of net operating loss carryforward which can be utilized. The amount of and ultimate realization of the benefits from the operating loss carryforwards for income tax purposes is dependent, in part, upon the tax laws in effect, the future earnings of the Company and other future events, the effects of which cannot be determined. Because of the uncertainty surrounding the realization of the loss carryforwards, the Company has established a valuation allowance equal to the tax effect of the loss carryforwards and other temporary differences of approximately \$3,037,800 and \$2,123,700 at December 31, 2019 and 2018, respectively, and, therefore, no deferred tax asset has been recognized for the loss carryforwards.

Deferred tax assets are comprised of the following:

	2019	2018
Deferred tax assets:		
NOL carryover	\$ 3,038,600	\$ 2,105,600
Depreciation	(800)	18,100
Valuation allowance	(3,037,800)	(2,123,700)
Net deferred tax asset	\$ -	\$ -

The reconciliation of the provision for income taxes computed at the U.S. federal statutory tax rate (21%) to the Company's effective tax rate for the years ended December 31, 2019 and 2018 is as follows:

	2019	2018
Book Loss	\$ (1,327,400)	\$ (1,170,600)
Depreciation	19,000	13,400
Meals & Entertainment	167,420	2,600
Stock Compensation	1,900	242,730
Loss on Asset Disposal	-	7,714
Change in valuation allowance	1,139,080	904,156
Provision for Income Taxes	\$ -	\$ -

NOTE 9 – 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 December 31, 2019 and 2018:

	Year Ended December 31	
	2019	2018
Loss from continuing Operations available to Common stockholders (numerator)	\$ (6,320,849)	\$ (5,574,163)
Weighted average number of common shares Outstanding used in loss per share during the Period (denominator)	1,176,278	689,805

Dilutive loss per share was not presented as the Company's outstanding warrants, stock options and note conversion features common equivalent shares for the periods presented would have had an anti-dilutive effect. At December 31, 2019, the Company had outstanding 363,727 warrants which could be converted to 363,727 shares of common stock, a \$50,000 note payable convertible into 2,500 shares of common stock, and 180,903 stock options exercisable for 180,903 shares of common stock resulting in a potential total additional 475,130 common stock shares outstanding in the future. At December 31, 2018, the Company had outstanding 305,050 warrants which could be converted to 305,060 shares of common stock, a \$50,000 note payable convertible into 2,500 shares of common stock, and 82,627 stock options exercisable for 82,627 shares of common stock resulting in a potential total additional 390,187 common stock shares outstanding in the future.

NOTE 9 – Commitments and Contingencies

Operating Leases – The Company leases office and laboratory space under operating leases. Expense relating to these operating leases was \$73,255 and \$70,187 for the years ended December 31, 2019 and 2018, respectively. The future minimum lease payments required under non-cancellable operating leases at December 31, 2019 were \$28,305. The future minimum lease payments are due during the year 2020.

NOTE 10 – Concentrations

Revenues – During the years ended December 31, 2019 and 2018, the Company had the following significant customers who accounted for more than 10% each of the Company's revenue in at least one of the periods presented. The change in the composition of customers between the two years resulted primarily from the change of focus from sales to R&D customers to Proof of Concept sales to customers preparing to initiate commercial production.

Customer	2019	2018
A	27.42%	-
B	21.2%	12.87%
C	20.34%	-
D	11.83%	23.34%
E	-	12.62%
F	-	12.18%

Accounts Receivable – The Company had the following significant customers who accounted for more than 10% each of the Company's accounts receivable balance at December 31, 2019 and 2018, respectively.

Customer	2019	2018
A	76.46%	-
B	23.54%	-
C	-	64.43%
D	-	17.01%
E	-	12.11%

NOTE 11 - Joint Venture

In July 2015, we entered into a joint venture agreement with Arete Innovative Solutions LLC (“Arete”). The Joint Venture was not consolidated, but rather was accounted for on the equity method of recording investments. There were no operating activities during the fiscal 2017 and net operations resulted in a loss on the investment of \$105 in fiscal 2016. The Company and Arete agreed in 2017 to terminate the Joint Venture and are in the process of paying final costs. The remaining cash asset of the company will be distributed to the former partners in 2020.

NOTE 12 - Defined Contribution Plan

In 2014, the Company adopted a qualified 401(K) plan (“the Plan”), in which all employees over the age of 21 may participate. The Company has elected to match 100% of each participant’s contribution up to 3% of salary, and 50% of the next 2% of salary contributed. The costs of matching contributions were \$45,080 in 2019 and \$51,415 in 2018.

NOTE 13 – Related Party Transactions

On June 17, 2019, our Former Chief Financial Officer, Nannette Toups submitted notice to the Company of her resignation effective August 15, 2019. On September 12, 2019, Ms. Toups Separation Agreement was amended to change her Effective Date to September 15, 2019. Effective September 15, 2019 the Company entered into a one-year Consulting Agreement with Ms. Toups as an independent contractor to provide non-exclusive consulting services to the Company on an as-needed basis at the rate of \$100 per hour. The agreement provides that as long as the Consulting Agreement remains in effect, the stock options of the Company held by Ms. Toups shall remain exercisable and continue to vest in accordance with the terms of the Consultants existing stock options agreements of the Company. Through December 31, 2019, Ms. Toups has accrued \$4,000 in fees for services rendered under the Consulting Agreement.

NOTE 14 – Subsequent Events

In January 2020, the Company entered into a Securities Purchase Agreement (the “SPA”) with certain institutional investors (the “Institutional Private Placement”). Pursuant to the SPA, the Company issued and sold 1,640 shares of the Company’s Series D Convertible Preferred Stock (the “Series D Preferred Stock”), warrants to purchase 779,600 shares of the Company’s Common Stock (the “Common Warrants”) and warrants to purchase 6,156 shares of the Series D Preferred Stock (the “Preferred Warrants”) for a total gross purchase price of \$1,600,000. The Series D Preferred Stock is initially convertible into 164,000 shares of Common Stock, the Preferred Warrants have an initial exercise price of \$975.00 per share, and the Common Warrants have an initial exercise price of \$10.00 per share. Concurrent with the Institutional Private Placement, the Company entered into a Securities Purchase Agreement (the “SPA”) with certain of its directors and the Company’s largest shareholder (the “Other Private Placement”). Pursuant to the SPA, the Company issued and sold 333.33 shares of the Company’s Series E Convertible Preferred Stock (the “Series E Preferred Stock”), and Class A Warrants to purchase 48,544 shares of the Company’s Common Stock (the “Common Warrants”) for a total gross purchase price of \$500,000. The Series E Preferred Stock is initially convertible into 48,544 shares of Common Stock, and the Class A Warrants have an initial exercise price of \$11.30 per share. Sigma also issued Dawson James Securities, Inc., its placement agent in the foregoing private placement, warrants to purchase up to 17,004 shares of Common Stock, at an initial exercise price of \$11.30 per share as partial compensation. Total net proceeds from the private placements were approximately \$1,711,124, after deducting placement commissions and other offering expenses payable by the Company.

On January 31, 2020, the Company paid off its Secured Convertible Promissory Note in full in the amount of \$56,458, including accrued interest of \$1,458 and a late fee penalty of \$5,000.

Effective February 27, 2020, our Amended and Restated Articles of Incorporation were amended pursuant to a Certificate of Change Pursuant to Nevada Revised Statutes 78.209 (the “Certificate of Change”) filed with the Nevada Secretary of State. The Certificate of Change provided for both a reverse stock split of the outstanding shares of our common stock on a 1-for-10 basis (the “Reverse Stock Split”), and a corresponding decrease in the number of shares of our common stock that we are authorized to issue (the “Share Decrease”).

As a result of the Reverse Stock Split, the number of issued and outstanding shares of our common stock decreased from 14,500,823 pre-Reverse Stock Split shares to 1,450,082 post-Reverse Stock Split shares (after adjustment for any fractional shares). Pursuant to the Share Decrease, the number of authorized shares of our common stock decreased from 22,500,000 to 2,500,000 shares of common stock, \$0.001 par value per share.

**DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT
TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934**

Sigma Labs, Inc. ("Sigma," "we," "our," and "us") has two classes of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended: (1) our common stock, par value \$0.001 per share (the "common stock"), and (2) warrants to purchase common stock at an exercise price of \$40.00 per share (the "Public Warrants").

The following description of our common stock, and preferred stock is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to (1) our Amended and Restated Articles of Incorporation filed as an Exhibit to our Form 10-K on April 1, 2019, (2) our Certificate of Correction to Amended and Restated Articles of Incorporation filed as an Exhibit to our Current Report on Form 8-K on June 1, 2011, (3) our Amended and Restated Bylaws filed as an Exhibit to our Form 10-Q on November 14, 2017, (4) Certificate of Designations of Rights Preferences and Privileges of our Series D Convertible Preferred Stock filed as an Exhibit to our Current Report on Form 8-K filed January 30, 2020, and (5) Certificate of Designations of Rights Preferences and Privileges of our Series E Convertible Preferred Stock filed as an Exhibit to our Current Report on Form 8-K on January 30, 2020, each of which is filed as an exhibit to our Annual Report on Form 10-K of which this Exhibit 4.11 is a part. We encourage you to read the Certificate of Incorporation, the Bylaws, and the Certificates of Designations, as well as the applicable provisions of the Nevada Revised Statutes (the "NRS"), for additional information.

Authorized Capital Stock

We are presently authorized to issue 2,250,000 shares of common stock, \$0.001 par value per share, of which 1,627,182 shares were outstanding as of March 20, 2020. We are presently authorized to issue 10,000,000 shares of \$0.001 par value preferred stock, of which 1,610,000 shares have been designated "Series A Preferred Stock," 1,000 shares have been designated "Series B Convertible Preferred Stock," 1,500 shares have been designated "Series C Convertible Preferred Stock," 7,796 shares have been designated as "Series D Convertible Stock" and 500 shares have been designated as "Series E Convertible Stock." As of the date of this Form 10-K, we had no shares of Series A Preferred Stock, Series B Convertible Preferred Stock and Series C Convertible Stock issued and outstanding, 880 shares of Series D Convertible Preferred Stock issued and outstanding and 333.33 shares of Series E Convertible Preferred Stock issued and outstanding.

Common Stock

We have one class of common stock. Holders of our common stock are entitled to one vote per share on all matters to be voted upon by stockholders and do not have cumulative voting rights in the election of directors. Holders of shares of common stock are entitled to receive on a pro rata basis such dividends, if any, as may be declared from time to time by our board of directors in its discretion from funds legally available for that use, subject to any preferential dividend rights of outstanding preferred stock. They are also entitled to share on a pro rata basis in any distribution to our common stockholders upon our liquidation, dissolution or winding up, subject to the prior rights of any outstanding preferred stock. Common stockholders do not have preemptive rights to subscribe to any additional stock issuances by us, and they do not have the right to require the redemption of their shares or the conversion of their shares into any other class of our stock. The rights, preferences and privileges of holders of common stock are subject to, and may be adversely affected by, the rights of the holders of any series of preferred stock that we may designate and issue in the future.

Public Warrants

The Public Warrants are exercisable at an exercise price of \$40.00 per share, subject to certain adjustments. The Public Warrants expire on February 21, 2022. Each Public Warrant will have a cashless exercise right in the event that shares of common stock underlying such Warrants are not covered by an effective registration statement. As of December 31, 2019, we had 162,150 Public Warrants outstanding.

Preferred Stock

Under our articles of incorporation, our board of directors has the authority, without further action by stockholders, to designate one or more series of preferred stock and to fix the voting powers, designations, preferences, limitations, restrictions and relative rights granted to or imposed upon the preferred stock, including dividend rights, conversion rights, voting rights, rights and terms of redemption, liquidation preference and sinking fund terms, any or all of which may be preferential to or greater than the rights of the common stock.

Our board of directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of the common stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring or preventing a change in our control and may adversely affect the market price of the common stock and the voting and other rights of the holders of common stock.

In connection with our underwritten public offering of equity securities on February 21, 2017, we created a series of Preferred Stock called "Series A Preferred Stock." None of such shares were issued in such offering. In our April 6, 2018 private placement, we issued 1,000 shares of Series B Preferred Stock ("Series B Preferred"), which were convertible into 100,000 shares of common stock. All shares of our Series B Preferred have been converted and 50,000 shares of common stock issued upon conversion of such shares are currently beneficially owned by an affiliate of a selling stockholder. In our June 26, 2018 public offering of equity securities, we issued 350 shares of Series C Preferred Stock which were initially convertible into 35,000 shares of common stock. Accordingly, as of the date of this Form 10-K, all shares of such preferred stock have been fully converted. In connection with the private placements occurring on January 27, 2020, we created two new series of Preferred Stock: the Series D Preferred Stock and the Series E Preferred Stock. As of the date of this Form 10-K, 880 shares of Series D Preferred Stock and 333.33 shares of Series E Preferred Stock are issued and outstanding.

Under the Certificate of Designations for the Series D Preferred Stock, the Series D Preferred Stock has an initial stated value of \$1,000 per share (the "Stated Value"). Dividends accrue at a dividend rate of 9% per annum (subject to increase upon the occurrence (and during the continuance) of certain triggering events described therein) will accrue and, on a monthly basis, shall be payable in kind by the increase of the Stated Value of the Series D Preferred Shares by said amount. The holders of the Series D Preferred Shares will have the right at any time to convert all or a portion of the Series D Preferred Shares (including, without limitation, accrued and unpaid dividends and make-whole dividends through the third anniversary of the closing date) into shares of the Company's Common Stock at the conversion price then in effect, which initially is \$10.00 (subject to adjustment for stock splits, dividends, recapitalizations and similar events and full ratchet price protection). In addition, a holder may at any time, alternatively, convert all, or any part, of its Series D Preferred Shares at an alternative conversion price, which equals the lower of the applicable conversion price then in effect, and the greater of (x) \$1.80 and (y) 85% of the average volume weighted average price ("VWAP") of the Common Stock for a five (5) trading day period prior to such conversion. Upon the occurrence of certain triggering events, described in the Certificate of Designations, including, but not limited to payment defaults, breaches of transaction documents, failure to maintain listing on the Nasdaq Capital Market, and other defaults set forth therein, the Series D Preferred Shares would become subject to redemption, at the option of a holder, at a 125% premium to the underlying value of the Series D Preferred Shares being redeemed.

The Certificate of Designations contains a prohibition on the issuance of any shares of Common Stock upon conversion of the Series D Preferred Shares in excess of the amount set forth in NASDAQ Listing Rule 5635(d) (20% or more of the outstanding shares of common stock) until the Company obtains shareholder approval for issuance of shares of Common Stock in excess of such amount. In the Institutional SPA, the Company has agreed to promptly obtain such shareholder approval and amend its article of incorporation and/or effect a reverse split in order to have sufficient shares of Common Stock available to allow the holders of the Series D Preferred Shares to convert in full the Series D Preferred Shares and exercise in full the Institutional Common Warrants.

Under the Certificate of Designations for the Series E Preferred Stock, the Series E Preferred Shares have an initial stated value of \$1,500 per share (the "Stated Value"). Dividends at the initial rate of 9% per annum will accrue and, on a monthly basis, shall be payable in kind by the increase of the Stated Value of the Series E Preferred Stock by said amount. The holders of the Series E Preferred Shares have the right at any time to convert all or a portion of the Preferred Shares (including, without limitation, accrued and unpaid dividends and make-whole dividends through the third anniversary of the closing date) into shares of the Company's Common Stock at an initial conversion rate determined by dividing the Conversion Amount by the Conversion Price (\$0.13 above the consolidated closing bid price for the trading day prior to the execution of the Securities Purchase Agreement, dated January 27, 2020, between and the purchasers referenced therein). The Conversion Amount is the sum of the Stated Value of the Series E Preferred Shares then being converted plus any other unpaid amounts payable with respect to the Series E Preferred Shares being converted plus the "Make Whole Amount" (the amount of any dividends that, but for the conversion, would have accrued at the dividend rate for the period through the third anniversary of the initial issuance date). The Conversion Rate is also subject to adjustment for stock splits, dividends recapitalizations and similar events.

Transfer Agent

The transfer agent and registrar of our common stock is Issuer Direct Corporation. The address of our transfer agent and registrar is 1981 Murray Holladay Road, Suite 100 Salt Lake City, Utah 84117, and its telephone number is (801) 272-9294.

Anti-Takeover Effects of Certain Provisions of Our Charter Documents

Our articles of incorporation and bylaws contain provisions that could delay or prevent changes in control or changes in our management without the consent of our board of directors. These provisions include the following:

- a classified board of directors with three-year staggered terms, which may delay the ability of stockholders to change the membership of a majority of our board of directors;
- no cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;

- the exclusive right of our board of directors to elect a director to fill a vacancy created by the expansion of the board of directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors;
- the ability of our board of directors to authorize the issuance of additional shares of preferred stock and to determine the terms of those shares, including preferences and voting rights, without stockholder approval, which could adversely affect the rights of our common stockholders or be used to deter a possible acquisition of our company;
- the ability of our board of directors to alter our bylaws without obtaining stockholder approval;
- the required approval of the holders of at least two-thirds of the shares entitled to vote at an election of directors to adopt, amend or repeal our bylaws or repeal the provisions of our articles of incorporation and bylaws regarding the election and removal of directors;
- a prohibition on stockholder action by written consent, which forces stockholder action to be taken at an annual or special meeting of our stockholders;
- the requirement that a special meeting of stockholders may be called only by the chairman of the board of directors, the chief executive officer, the president or the board of directors, which may delay the ability of our stockholders to force consideration of a proposal or to take action, including the removal of directors; and
- advance notice procedures that stockholders must comply with in order to nominate candidates to our board of directors or to propose matters to be acted upon at a stockholders' meeting, which may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of us.

These provisions could inhibit or prevent possible transactions that some stockholders may consider attractive.

NASDAQ Capital Market

Our Common Stock and Public Warrants are currently traded on the NASDAQ Capital Market under the symbols "SGLB" and "SGLBW" respectively.

Nevada Anti-Takeover Law and Charter and Bylaws Provisions

NRS sections 78.378 to 78.3793 provide state regulation over the acquisition of controlling interest in certain Nevada corporations unless the articles of incorporation or bylaws of the corporation provide that the provisions of these sections do not apply. This statute currently does not apply to our company because in order to be applicable, we would need to have a specified number of Nevada residents as shareholders, and we would have to do business in Nevada directly or through an affiliate.

December 2, 2019

Mark Ruport
1729 Wood Avenue
Colorado Springs, CO 80907

Re: Terms of At-Will Employment

Dear Mr. Ruport,

This letter confirms the principal terms of our agreement, as set forth below, with respect to your at-will employment (Employment) by Sigma Labs, Inc. (the "Company"), which shall be effective as of December 3, 2019 (the "Effective Date"):

1. Position; Reporting; Duties, Responsibilities and Authority; Principal Business Office; Board Membership: Effective as the Effective Date, you shall serve as Executive Chairman of the Company and will report directly to the Board of Directors.

You shall devote substantially all of your business time to the Company, and shall perform those services customary to your position at a public company of a similar size as the Company and shall perform such other lawful duties that the Board of Directors of the Company may reasonably assign to you from time to time. You shall at all times be subject to, observe and carry out such reasonable employment-related rules, regulations and policies as the Company's Board of Directors may from time to time establish for the Company's employees, including, without limitation, the Company's Employee Handbook, Insider Trading Policy and Code of Ethics and Business Conduct.

Without restricting any requirement that you engage in reasonable business-related travel, you may work remotely from your home office, provided that you make yourself readily accessible to the Company by telephone, via the Internet or other remote access, as you deem reasonably necessary for the performance of your services hereunder, and provided, further, that the Company expects that you will use reasonable efforts to perform your duties at the Company's principal business office, which is presently located at 3900 Paseo del Sol, Santa Fe, New Mexico 87507, every other week during the term of this Agreement for up to three to four days per week, unless otherwise agreed by you and the Company.

For as long as you serve as the Executive Chairman, you will serve on the Board of Directors of the Company.

2. At-Will Employment: The Company has the right to terminate your Employment at any time, with or without prior notice, and with or without cause and for any reason or for no specified reason. You have the right to terminate your Employment at any time, with or without prior notice. You are employed by the Company "at will," and this letter does not provide you with any right to continue in the Employment of the Company for any minimum or specified period. Except as specifically provided in this letter, the Company shall have no obligation to make any compensation, severance or other payments to you, or to provide any other benefits to you, after the date of the termination of your Employment for any reason.

3. Compensation:

(a) Base: For services rendered hereunder, the Company shall pay to you an annual base salary (the "Base Salary") of \$155,000, payable in regular installments in accordance with the Company's customary payroll practices for employees. If you are entitled to receive Base Salary for any period that is less than one calendar month, the Base Salary for such period shall be computed by prorating the annual Base Salary over such period based upon the actual number of days therein. The Base Salary shall not be subject to decrease but may be increased in the discretion of the Company's Compensation Committee based on annual or special case assessments of your performance and other factors. All payments shall be made in accordance with the Company's payroll practices. The Company may deduct and withhold from your compensation under this agreement any amounts of money required to be deducted or withheld by the Company under any or all applicable local, state or federal laws.

(b) Benefits: During your Employment, you shall be entitled to receive all benefits under any and all deferred compensation plans, retirement plans, life, disability, health, accident and other insurance programs, automobile allowances, and similar employee benefit plans and programs, sick leave, vacation time and paid time off (if any) that the Company elects in its sole discretion to provide from time to time to its other executive officers (collectively referred to herein as the "Benefits"). However, we reserve the right to terminate, reduce or otherwise amend any or all of the Benefits from time to time to the extent allowed by law, so long as such action applies generally to all of our executive officers. Except as otherwise required by applicable law with respect to continued "COBRA" group health care coverage and except as expressly required by the terms of the Company's life, disability, health, accident and other insurance programs and similar employee benefit plans and programs, your right to receive Benefits shall terminate upon the termination of your Employment for any reason. Subject to applicable terms in the Company's employee manual, you shall be entitled to vacation time of three weeks during each 12-months of the term of this Agreement, and up to two weeks of discretionary sick, personal, or other personal needs, and eleven floating holidays that you make take at the traditional national days or other days of your choice. You shall also be eligible to receive grants of stock appreciation rights from time to time. However, the decision to grant any such stock appreciation rights, and the amount and terms thereof, shall be in the sole and absolute discretion of the Compensation Committee.

(c) Expense Reimbursement: The Company will reimburse you for ordinary and necessary expenses incurred in the performance of your duties, provided that such expenses are reasonable and are accounted for in accordance with the Company's usual policies. Additionally, in light of your anticipated travel to the Company's principal business office, as set forth in Section 1 above, you shall be entitled to an expense allowance of up to \$1,200 per month to be applied to your housing in Santa Fe, subject to promptly providing the Company with applicable receipts.

(d) Options: Subject to your entering into the Company's standard-form nonqualified stock option agreement, effective as of the effective date of the approval of the Compensation Committee (the "Grant Date"), the Company shall grant you (1) a non-qualified stock option ("Option A") to purchase up to 100,000 shares of common stock of the Company, which will have an exercise price equal to the closing price of the Company's common stock on the Grant Date, and will vest and become exercisable in full on the first month's anniversary of the Grant Date, and (2) a non-qualified stock option ("Option B," and together with Option A, the "Options") to purchase up to 400,000 shares of common stock of the Company, which will have an exercise price equal to the closing price of the Company's common stock on the Grant Date, and will vest and become exercisable in equal (as closely as possible) monthly installments over three years from the Grant Date, provided, in each case, that you remain an employee of the Company through such vesting date.

The Options shall expire on the day before the fifth anniversary of the Grant Date, unless the Options shall have been terminated prior to that date in accordance with the provisions of the Company's standard-form nonqualified stock option agreement. Notwithstanding anything to the contrary, (x) upon the occurrence of a Change of Control, any unvested portion of the Options held by you as of the date of such Change of Control shall immediately and automatically vest (provided, however, that, the Options may be assumed or, in the discretion of the Board of Directors, an equivalent option may be substituted by an applicable successor corporation or any subsidiary of the successor corporation in connection with a Change of Control), and (y) in the event that the Board of Directors determines that you are unable to perform your duties as the Company's Executive Chairman due to an accident, illness or other event or condition which physically or mentally incapacitates you for a period of 45 consecutive days ("Disability"), if you cease to be employed by the Company as a result of a Disability, the Options will continue to vest and remain exercisable for the 5-year term of the Options in accordance with the terms of the option agreements. As used herein, the term "Change of Control" shall mean (a) a merger or consolidation of the Company with or into another corporation or entity (other than a merger with a wholly-owned subsidiary), whereby any Person or Persons acting in concert acquire(s) more than 50% of the outstanding stock of the Company, (b) a sale of all or substantially all of the assets of the Company, or (c) a purchase or other acquisition of more than 50% of the outstanding stock of the Company by one Person or by more than one Person acting in concert. As used herein, the term "Person" shall mean an individual, partnership, limited liability company, trust, estate, association, corporation, or any other legal entity.

In the event of any stock split, reverse stock split or stock dividend after the date hereof, the number of shares of the Company's common stock underlying the Options, and the exercise price of the Options shall be appropriately adjusted for any such stock split, reverse stock split or stock dividend.

(e) Discretionary Bonus: During the term of your employment, you shall be eligible to receive one or more bonuses ("Discretionary Bonuses") relating to each fiscal year in recognition of your achievement of individual and Company goals established by the Board of Directors from time to time. However, the decision to provide any Discretionary Bonuses and the amount and terms of any Discretionary Bonuses, including the payment of cash, the issuance of equity in the Company, or a combination of both, shall be in the sole and absolute discretion of the Board of Directors.

4. Confidential Information. You shall at no time, either during your Employment or after the termination of your Employment for any reason, use or disclose to any person, directly or indirectly, any confidential or proprietary information concerning the business of the Company, including, without limitation, any business secret, trade secret, financial information, software, internal procedure, business plan, marketing plan, pricing strategy or policy or customer list, except to the extent that such use or disclosure is (1) necessary to the performance of your Employment during the period that you are so employed, (2) required by an order of a court of competent jurisdiction, or (3) authorized in writing by the Company's Board of Directors. The prohibition that is contained in the preceding sentence shall not apply to any information that is or becomes generally available to the public other than through a disclosure by you or by a person acting in concert with you. Within five days after the termination of your Employment, you shall return to the Company all memoranda, notes and other documents in your possession or control that relate to the confidential information of the Company. Upon the Company's request, you agree to execute and deliver to the Company any form of confidentiality agreement that the Company requires generally from its employees.

5. Company Property: You agree that all designs, lists, books, files, reports, correspondence, computer databases and files, records, supplies, services, computers, postage, telephones and other property and materials ("Company Materials") used by, prepared for or by, or made available to you while you are employed with the Company, shall be and shall remain the property of the Company. Upon termination of your employment with the Company, all Company Materials shall be returned immediately to the Company, and you shall not make or retain any copies thereof.

6. Inventions/Work Product:

(a) Work Product: You acknowledge and agree that all writings, works of authorship, technology, inventions, discoveries, ideas and other work product of any nature whatsoever that are created, prepared, produced, authored, edited, amended, conceived or reduced to practice by you individually or jointly with others during the period of your Employment by the Company and relating in any way to the business or contemplated business, research or development of the Company (regardless of when or where the Work Product is prepared or whose equipment or other resources is used in preparing the same) and all printed, physical and electronic copies, all improvements, rights and claims related to the foregoing, and other tangible embodiments thereof (collectively, "Work Product"), as well as any and all rights in and to copyrights, trade secrets, trademarks (and related goodwill), patents and other intellectual property rights therein arising in any jurisdiction throughout the world and all related rights of priority under international conventions with respect thereto, including all pending and future applications and registrations therefor, and continuations, divisions, continuations-in-part, reissues, extensions and renewals thereof (collectively, "Intellectual Property Rights"), shall be the sole and exclusive property of the Company.

(b) Work Made for Hire: Assignment: You acknowledge that, by reason of being employed by the Company at the relevant times, to the extent permitted by law, all of the Work Product consisting of copyrightable subject matter is "work made for hire" as defined in 17 U.S.C. § 101 and such copyrights are therefore owned by the Company. To the extent that the foregoing does not apply, you hereby irrevocably assign to the Company, for no additional consideration, your entire right, title and interest in and to all Work Product and Intellectual Property Rights therein, including the right to sue, counterclaim and recover for all past, present and future infringement, misappropriation or dilution thereof, and all rights corresponding thereto throughout the world. Nothing contained herein shall be construed to reduce or limit the Company's rights, title or interest in any Work Product or Intellectual Property Rights so as to be less in any respect than that the Company would have had in the absence of this agreement.

(c) Further Assurances: Power of Attorney. During and after your Employment, you agree to reasonably cooperate with the Company to (1) apply for, obtain, perfect and transfer to the Company the Work Product as well as an Intellectual Property Right in the Work Product in any jurisdiction in the world, and (2) maintain, protect and enforce the same, including, without limitation, executing and delivering to the Company any and all applications, oaths, declarations, affidavits, waivers, assignments and other documents and instruments as shall be requested by the Company. You hereby irrevocably grant the Company a power of attorney to execute and deliver any such documents on your behalf in your name and to do all other lawfully permitted acts to transfer the Work Product to the Company and further the transfer, issuance, prosecution and maintenance of all Intellectual Property Rights therein, to the full extent permitted by law, if you do not promptly cooperate with the Company's request (without limiting the rights the Company shall have in such circumstances by operation of law). The power of attorney is coupled with an interest and shall not be affected by your subsequent incapacity.

7. **Notices:** Any notice, consent, request or other communications made or given in connection with this agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by postage prepaid to those listed below at their following respective addresses or at such other address as each may specify by notice to the other:

To the Company:

John Rice
Chief Executive Officer
Sigma Labs, Inc.
3900 Paseo del Sol
Santa Fe, NM 87507

To you:

Mark Ruport
1729 Wood Avenue
Colorado Springs, CO 80907

8. **Entire Agreement:** This agreement (and any separate confidentiality agreements that may be entered into between the Company and you) constitutes the entire agreement of the Company and you relating to the terms and conditions of your Employment and supersedes all prior oral and written understandings and agreements relating to such subject matter.

9. **Amendment and Termination:** This agreement may be amended or terminated only pursuant to a writing executed by an authorized officer of the Company and you.

10. **Arbitration:** Any dispute or controversy arising under this agreement relating to its interpretation or the breach hereof, including the arbitrability of any such dispute or controversy (each, a "Disputed Matter"), shall be determined and settled by arbitration in Santa Fe, New Mexico pursuant to the Rules of the American Arbitration Association in effect at the time the Disputed Matter arises. Any award rendered herein shall be final and binding on each and all of the parties, and judgment may be entered thereon in any court of competent jurisdiction. Notwithstanding the foregoing, the parties shall be entitled to seek injunctive relief in any court of competent jurisdiction.

11. **Governing Law:** This agreement shall be governed by and construed in accordance with Nevada law. In the event that any terms or provisions of this agreement shall be held to be invalid or unenforceable, such invalidity or unenforceability shall not affect the validity or enforceability of the remaining terms and provisions hereof. In the event of any judicial, arbitral or other proceeding between the parties hereto with respect to the subject matter hereof, the prevailing party shall be entitled, in addition to all other relief, to reasonable attorneys' fees and expenses and court costs.

If the foregoing terms are acceptable, please sign below and return this letter to me.

Sigma Labs, Inc.

/s/ John Rice

John Rice, President and Chief Executive Officer

Employee

/s/ Mark K. Ruport

Mark K. Ruport

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-174897, 333-197616, 333-212612, 333-222369, 333-228628 and 333-233348 on forms S-8, Registration Statement Nos. 333-225377, 333-232037, and 333-236231 on Form S-3, and Registration Statement Nos. 333-224621, 333-218021, and 333-212735 on Form S-1 of Sigma Labs, Inc. of our report dated March 24, 2020, relating to our audits of the financial statements which appear in this Annual Report on Form 10-K of Sigma Labs, Inc. for the years ended December 31, 2019 and 2018.

/s/ Haynie & Company

Haynie & Company
Salt Lake City, Utah
March 24, 2020

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

I, John Rice, certify that:

1. I have reviewed this Annual Report on Form 10-K 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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: March 24, 2020

By: /s/ John Rice
Name: John Rice
Title: President and Chief Executive Officer
(Principal Executive Officer)

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

I, Frank Orzechowski, certify that:

1. I have reviewed this Annual Report on Form 10- K 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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: March 24, 2020

By: /s/ Frank Orzechowski

Name: Frank Orzechowski

Title: Chief Financial Officer, Treasurer
(Principal Financial and Accounting Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the accompanying Annual Report of Sigma Labs, Inc., (the "Company") on Form 10-K for the period ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officers of the Company certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to their knowledge:

- (i) The Report fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 24, 2020

By: /s/ John Rice
Name: John Rice
Title: President and Chief Executive Officer (Principal Executive Officer)

Date: March 24, 2020

By: /s/ Frank Orzechowski
Name: Frank Orzechowski
Title: Chief Financial Officer (Principal Financial and Accounting Officer)
