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

FORM 8-K/A

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

Date of Report (Date of Earliest Event Reported): **August 5, 2016**

Sunshine Heart, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**001-35312**	**68-0533453**
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

12988 Valley View Road, Eden Prairie, MN 55344	**(952) 345-4200**
(Address of principal executive offices)	(Registrant's Telephone Number, including Area Code)

Not Applicable
Former name or former address, if changed since last report

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.01. Completion of Acquisition or Disposition of Assets.

On August 8, 2016, Sunshine Heart, Inc. (the ***"Company"***) filed a Current Report on Form 8-K (the ***"Initial Filing"***) disclosing that, on August 5, 2016, the Company entered into and consummated the transactions contemplated by an asset purchase agreement (the ***"Purchase Agreement"***) with Gambro UF Solutions, Inc. (the ***"Seller"***), an indirect subsidiary of Baxter International Inc. Pursuant to the Purchase Agreement, the Company acquired certain assets exclusively related to the production and sale of Seller's Aquadex™ FlexFlow product (the ***"Aquadex Business"***). The Aquadex FlexFlow product is a medical device that can be used to treat heart failure patients as well as other patients with fluid overload who have failed diuretic therapy.

This amendment to the Initial Filing on Form 8-K/A (this "***Amendment***") amends the Initial Filing to provide the financial information described in Item 9.01 below in connection with the acquisition of the Aquadex Business. This Amendment should be read in conjunction with the Initial Filing and the Company's other filings with the Securities and Exchange Commission (the ***"SEC"***). Except as stated herein, this Amendment does not reflect events occurring after the date of the Initial Filing and no attempt has been made to modify or update other disclosure as presented in the Initial Filing.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired.

Pursuant to a letter dated June 6, 2016 from the staff of the Division of Corporation Finance (the ***"Division"***) of the SEC, the Division stated that it will not object to the Company's proposal to provide abbreviated statements of assets acquired and liabilities assumed and of revenues and direct expenses for the periods required by and in satisfaction of the requirements of Rule 3-05 of Regulation S-X.

As a result, the Company is filing with this Amendment the following financial statements and notes thereto in satisfaction of the requirements of Rule 3-05 of Regulation S-X, attached as Exhibit 99.1 hereto and incorporated by reference herein: the Aquadex Business' Special Purpose Combined Statements of Assets Acquired as of June 30, 2016 (unaudited) and December 31, 2015, and the Special Purpose Combined Statements of Revenues and Direct Expenses for the six months ended June 30, 2016 (unaudited) and 2015 (unaudited) and for the year ended December 31, 2015.

(b) Pro Forma Financial Information.

The Company is filing with this Amendment the following pro forma financial information, attached as Exhibit 99.2 hereto and incorporated by reference herein: the Pro Forma Condensed Combined Balance Sheet as of June 30, 2016 (unaudited), the Pro Forma Condensed Combined Statements of Operations for the year ended December 31, 2015 (unaudited) and for the six months ended June 30, 2016 (unaudited) and the related notes thereto.

(d) Exhibits

Exhibit No.	Description
23.1	Consent of PricewaterhouseCoopers LLP, Independent Accountants.
99.1	Special Purpose Combined Statements of Assets Acquired as of June 30, 2016 (unaudited) and December 31, 2015, Special Purpose Combined Statements of Revenues and Direct Expenses for the six months ended June 30, 2016 (unaudited) and 2015 (unaudited) and for the year ended December 31, 2015 and related notes thereto.
99.2	Pro Forma Condensed Combined Balance Sheet as of June 30, 2016 (unaudited), Pro Forma Condensed Combined Statements of Operations for the year ended December 31, 2015 (unaudited) and for the six months ended June 30, 2016 (unaudited) and related notes thereto.

SIGNATURES

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

Sunshine Heart, Inc.

Date: October 21, 2016

By: /s/ Claudia Drayton
Name: Claudia Drayton
Title: Chief Financial Officer

Exhibit Index

Exhibit No.	Description
23.1	Consent of PricewaterhouseCoopers LLP, Independent Accountants.
99.1	Special Purpose Combined Statements of Assets Acquired as of June 30, 2016 (unaudited) and December 31, 2015, Special Purpose Combined Statements of Revenues and Direct Expenses for the six months ended June 30, 2016 (unaudited) and 2015 (unaudited) and for the year ended December 31, 2015 and related notes thereto.
99.2	Pro Forma Condensed Combined Balance Sheet as of June 30, 2016 (unaudited), Pro Forma Condensed Combined Statements of Operations for the year ended December 31, 2015 (unaudited) and for the six months ended June 30, 2016 (unaudited) and related notes thereto.

Exhibit 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (No. 333-194731) and Form S-8 (Nos. 333-210215, 333-202904, 333-194642, 333-190499, 333-188935, 333-183925, and 333-183924) of Sunshine Heart, Inc. of our report dated October 21, 2016 relating to the financial statements of the Aquadex Business, a franchise of Baxter International Inc., which appear in this Current Report on Form 8-K/A of Sunshine Heart, Inc.

/s/ PricewaterhouseCoopers LLP
Chicago, Illinois
October 21, 2016

Aquadex Business
(A Franchise of Baxter International, Inc.)

Special Purpose Combined Statements of Assets Acquired as of June 30, 2016 (unaudited), and December 31, 2015

Special Purpose Combined Statements of Revenues and Direct Expenses for the six months ended June 30, 2016 (unaudited) and 2015 (unaudited) and for the year ended December 31, 2015 and related notes thereto.

Aquadex Business
(A Franchise of Baxter International Inc.)
Index to Special Purpose Combined Financial Statements

Report of Independent Auditors

To the Management of Baxter International Inc.

We have audited the accompanying special purpose combined financial statements of the Aquadex Business, a franchise of Baxter International Inc., which comprise the special purpose combined statement of assets to be acquired as of December 31, 2015, and the related special purpose combined statement of revenues and direct expenses for the year then ended.

Management's Responsibility for the Special Purpose Combined Financial Statements

Management is responsible for the preparation and fair presentation of the special purpose combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the special purpose combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the special purpose combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special purpose combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose combined financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the special purpose combined financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the special purpose combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the special purpose combined financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying special purpose combined financial statements referred to above present fairly, in all material respects, the assets to be acquired of the Aquadex Business, a franchise of Baxter International Inc., as of December 31, 2015, and its revenues and direct expenses for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The accompanying special purpose combined financial statements were prepared in connection with Baxter International Inc.'s divesture of the Aquadex Business and, as described in Note 1, were prepared in accordance with an SEC waiver received by the buyer, for the purposes of the buyer complying with Rule 3-05 of the Securities and Exchange Commission's Regulation S-X. These special purpose combined financial statements are not intended to be a complete presentation of the financial position, results of operations or cash flows of the Aquadex Business, a franchise of Baxter International, Inc. Our opinion is not modified with respect to this matter.

/s/ PricewaterhouseCoopers LLP
Chicago, Illinois

October 21, 2016

Aquadex
Special Purpose Combined Statements of Assets Acquired
As of June 30, 2016 (unaudited) and December 31, 2015

(U.S. Dollars in thousands)

	June 30, 2016 (unaudited)	December 31, 2015
Property, plant and equipment, net	$ 263	$ 318
Intangible assets, net	4,231	4,835
Total assets acquired	$ 4,494	$ 5,153

The accompanying notes are an integral part of these special purpose combined financial statements.

Aquadex
Special Purpose Combined Statements of Revenues and Direct Expenses
For the six months ended June 30, 2016 (unaudited) and 2015
and for the year ended December 31, 2015

(U.S. Dollars in thousands)

	Six Months Ended		Year Ended
	June 30, 2016 (unaudited)	June 30, 2015 (unaudited)	December 31, 2015
Revenues	$ 1,623	$ 1,946	$ 4,166
Expenses:			
Cost of sales	1,805	1,957	3,772
Selling, general and administrative	95	612	1,392
Research and development	4	2	6
Impairment loss	—	—	12,962
Total expenses	1,904	2,571	18,132
Revenue less expenses	$ (281)	$ (625)	$ (13,966)

The accompanying notes are an integral part of these special purpose combined financial statements.

1. Asset Purchase Agreement, Description of Business and Basis of Presentation

Asset Purchase Agreement

On August 5, 2016, Gambro UF Solutions, Inc., a wholly owned subsidiary of Baxter International Inc. (“Baxter”), entered into an asset purchase agreement with Sunshine Heart Inc. (“Sunshine”) to sell certain assets of the Aquadex FlexFlow business (“Aquadex” or “the Company”) for $4 million cash and 1 million shares of Sunshine common stock. In connection with the asset purchase agreement, Sunshine has agreed to assume certain future obligations relating to the Aquadex operations including future obligations under product related obligations, any litigation, environmental laws, and other obligations arising from after the date of closing. Additionally, two employees that have historically supported the Aquadex business transferred to Sunshine. Prior to August 5, 2016, no relationship existed between Baxter and Sunshine. Baxter and Sunshine also entered into a manufacturing and supply agreement (“MSA”) in conjunction with the asset purchase agreement. The MSA will expire within a period not to exceed 18 months of the close of the sale. Sunshine will purchase the existing inventory over the term of the MSA and also purchase future Aquadex inventory based on its purchase order requirements and end user demand. Sunshine is obligated to purchase any Aquadex inventory remaining upon expiration or termination of the MSA. Upon termination of the MSA, property, plant, and equipment, and manufacturing of Aquadex will transfer to Sunshine.

Baxter and Sunshine additionally entered into a license agreement whereby Baxter licenses patented technology to Sunshine on an exclusive global basis for the field of use, with rights to sublicense; the key patents expire in 2024; the license agreement is not assignable without Baxter’s consent for two years post-closing (a change of control of Sunshine would be deemed to be a prohibited assignment (without Baxter’s consent)); if Sunshine ceases operating the business or files for bankruptcy, reorganization, insolvency, moratorium or other similar proceeding, the rights granted under the license will immediately revert to Baxter.

Description of Business

Aquadex provides aquapheresis, a form of extracorporeal ultrafiltration to reduce fluids, primarily for patients with congestive heart failure (CHF), and particularly when diuretics are not effective. CHF is a leading cause for hospitalization in the United States, particularly for individuals aged 65 and over. The patent-protected technology is FDA 510K market cleared and CE marked for both inpatient hospital and outpatient clinic use and has been successfully used on over 60,000 patients to date. The product is manufactured in Brooklyn Park, Minnesota.

Basis of Presentation

The accompanying statements of assets acquired as of June 30, 2016 (unaudited) and December 31, 2015, and the related statements of revenues and direct expenses for the six months ended June 30, 2016 (unaudited) and 2015 (unaudited) and for the year ended December 31, 2015 (collectively, the "Special Purpose Combined Financial Statements") have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The Aquadex business has not historically been accounted for as a separate entity, subsidiary, or division of Baxter. In addition, stand-alone financial statements related to the Aquadex business have never been prepared previously, and Baxter's information systems were not designed to identify the assets, liabilities, or cash transactions on a product basis. Therefore it is impractical to prepare full standalone or carve out financial statements for the Aquadex business in accordance with the Securities and Exchange Commission's Regulation S-X. These Special Purpose Combined Financial Statements have been prepared to reflect the assets acquired and liabilities assumed by Sunshine in accordance with a waiver obtained by Sunshine from the Securities and Exchange Commission which includes all costs directly associated with producing revenues and excludes costs not directly involved in the revenue producing activity, such as corporate overhead, interest and income tax. Therefore, these Special Purpose Combined Financial Statements are not intended to be a complete presentation of financial position, results of operations, or cash flows of Aquadex in conformity with U.S. GAAP. Thus, Statements of Assets Acquired and Statements of Revenues and Direct Expenses have been prepared.

The Special Purpose Combined Financial Statements have been derived from the accounting records of Baxter using historical results of operations and financial position and only present the assets acquired and the associated revenues and direct expenses of the Aquadex business. Under the terms of the asset purchase agreement and MSA, Sunshine did not purchase or acquire any inventory on the acquisition date, and Sunshine's obligation to purchase the remaining Aquadex inventory upon termination of the MSA is a forward inventory purchase commitment; therefore inventory has not been included in the combined statement of assets acquired. Sunshine did not assume any liabilities with the acquisition of the Company. All intercompany accounts and transactions within the Aquadex business, and between the Aquadex business and Baxter, have been eliminated. Certain Baxter expenses and income, such as corporate overhead, interest income, interest expense, and income taxes have been excluded from the statements of revenues and direct expenses, as they are not directly associated with the revenue producing activities of Aquadex or it is not practical to isolate or allocate such indirect Baxter operating costs to Aquadex. Corporate overhead expenses include general support functions, such as expenses associated with the executive management and various corporate departments. The accompanying special purpose combined financial statements are not necessarily indicative of the results of operations that would have occurred if the Aquadex business had been an independent company.

The Aquadex business' financing needs were supported by Baxter and cash generated by Aquadex's operations was transferred to Baxter. As the Aquadex business has historically been managed as part of the operations of Baxter and has not operated as a standalone entity, it is impractical to prepare historical cash flow information regarding the Aquadex business' operating, investing, and financing cash flows. As such, Statements of Cash Flows are not presented.

The financial information as of June 30, 2016 and for the six month periods ended June 30, 2016 and 2015 are unaudited. However, in the opinion of management, such information includes all adjustments (consisting solely of normal recurring adjustments) necessary for the fair presentation of such financial information.

2. Summary of Accounting Policies

Use of Estimates

The preparation of the financial statements in conformity with U.S. GAAP requires the company to make estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ from those estimates.

Revenue Recognition

The Company recognizes revenues from product sales when earned. Specifically, revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable, and collectability is reasonably assured. Provisions for discounts, rebates to customers, chargebacks to wholesalers and returns are provided for at the time the related sales are recorded, and are reflected as a reduction to gross sales to arrive at net revenue. Revenue is not recognized until title and risk of loss have transferred to the customer. The shipping terms for the Company's revenue arrangements are FOB destination. Shipping and handling expenses were $21 thousand for the year ended December 31, 2015 and have been included within Selling, general, and administrative expenses in the Special Purpose Combined Statements of Revenues and Direct Expenses.

Property, Plant and Equipment

Property, plant and equipment is carried at depreciated cost. Depreciation is calculated using the straight-line method over the estimated economic lives of the assets, which are two years for furniture and fixtures and range from two to fifteen years for machinery and equipment. Cost of maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred. Depreciation expense was $142 thousand for the year ended December 31, 2015, $55 thousand for the six months ended June 30, 2016 and $78 thousand for the six months ended June 30, 2015.

(U.S. Dollars in thousands)	June 30, 2016 (unaudited)	December 31, 2015
Machinery and equipment	$ 2,524	$ 2,524
Furniture and fixtures	34	34
Total property, plant and equipment	2,558	2,558
Less: Accumuated depreciation	(2,295)	(2,240)
Property, plant and equipment, net	$ 263	$ 318

Intangible Assets

The Company reviews the carrying amounts of long-lived assets for potential impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In evaluating recoverability, the Company groups assets and liabilities at the lowest level such that the identifiable cash flows relating to the company are largely independent of the cash flows of other assets and liabilities. The Company then compares the carrying amounts of the assets or asset groups with the related estimated undiscounted future cash flows. In the event impairment exists, an impairment charge is recorded as the amount by which the carrying amount of the asset or asset group exceeds the fair value.

As a part of Baxter's acquisition of Gambro during the year ended December 31, 2013, Baxter acquired a developed technology asset related to the Company which was valued at $22.9 million. In conjunction with its review of strategic alternatives, the Company performed an impairment analysis during the year ended December 31, 2015. As a result of this analysis, the Company determined the carrying value of the related net asset group exceeded the estimated fair value, which was based on a discounted cash flow analysis. Consequently, an impairment loss of $13.0 million was recorded in the year ended December 31, 2015.

The net intangible asset as of June 30, 2016 and December 31, 2015 totaled $4.2 million and $4.8 million, respectively. Amortization expense totaled $1.3 million for the year ended December 31, 2015, $604 thousand for the six months ended June 30, 2016 and $822 thousand for the six months ended June 30, 2015 and was included in Cost of sales in the Special Purpose Combined Statements of Revenues and Direct Expenses. In 2016, the Company changed the estimated useful life of the intangible asset from 13 years to 4 years due to changes in its strategic plans for the business.

As of June 30, 2016, the future amortization expense related to the intangible asset is as follows (in thousands):

Fiscal Year	(in thousands)	
2016	$	604
2017		1,209
2018		1,209
2019		1,209
Total	$	4,231

Business Optimization Charges

The Company records liabilities for costs associated with exit or disposal activities in the period in which the liability is incurred. Employee termination costs are primarily recorded when actions are probable and estimable. The Company incurred $149 thousand of business optimization charges in 2015 primarily relating to severance charges and does not expect to incur any future charges. These expenses are included within selling, general, and administrative expense.

3. Subsequent Events

Aquadex has evaluated subsequent events through October 21, 2016, the date at which the Special Purpose Combined Financial Statements were available to be issued and determined that there were no other items to disclose.

Exhibit 99.2

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

Introductory Note

Description of the transaction

On August 5, 2016, Sunshine Heart, Inc. (the "***Company***") completed the acquisition of certain assets of Gambro UF Solutions, Inc., (the ***"Seller"***), an indirect subsidiary of Baxter International, Inc., exclusively related to the production and sale of Seller's Aquadex™ FlexFlow product (the "***Aquadex Business***") for consideration consisting of $4.0 million paid in cash and 1 million shares of the Company's common stock. Upon closing of the transaction, the Company entered into a patent license agreement, a registration rights agreement, a transition services agreement, and a commercial manufacturing and supply agreement, pursuant to which the Company will purchase certain products and inventory related to the Aquadex Business from Seller for up to 18 months from the closing. In addition, the Company agreed to pay the Seller 40% of any amount in excess of $4.0 million that it receives in connection with the sale or disposal of any of the Aquadex Business assets within three years of the closing.

The accompanying unaudited pro forma condensed combined balance sheet as of June 30, 2016 has been presented as if the acquisition of the Aquadex Business had occurred on June 30, 2016. The accompanying unaudited pro forma condensed combined statements of operations for the year ending December 31, 2015 and the six month period ending June 30, 2016 are presented as if the acquisition of the Aquadex Business had occurred on January 1, 2015. These unaudited pro forma condensed combined statements are not intended to represent or be indicative of the financial position or results of operations of the combined entity that would have been reported if the acquisitions had been consummated on January 1, 2015 or June 30, 2016. In addition, these unaudited pro forma condensed combined statements do not purport to project the financial position or results of operations of the consolidated company as of and for the fiscal year ending December 31, 2016 or for any future periods.

These unaudited pro forma condensed combined statements were prepared using, and/or should be read in connection with (1) the Company's Current Report on Form 8-K filed with the U.S Securities and Exchange Commission on August 8, 2016, (2) the Company's historical combined financial statements and notes thereto filed with the U.S Securities and Exchange Commission and (3) the Special Purpose Combined Statements of Assets Acquired for the Aquadex Business as of June 30, 2016 (unaudited), and December 31, 2015 and Special Purpose Combined Statements of Revenues and Direct Expenses for the six month periods ended June 30, 2016 (unaudited) and 2015 (unaudited) and for the year ended December 31, 2015 as included in Exhibit 99.1 to this Form 8-K/A.

Sunshine Heart, Inc.
Pro Forma Condensed Combined Balance Sheet
As of June 30, 2016
(amounts in thousands) (unaudited)

ASSETS	Sunshine Heart Historical	Aquadex Business Historical	Pro Forma Adjustments	Pro Forma Combined
Current Assets				
Cash and cash equivalents	$ 12,049	$ —	$ (4,863)(A)	$ 7,186
Other current assets	282	—	—	282
Total current assets	12,331	—	(4,863)	7,468
Property, plant and equipment, net	412	263	44(B)	719
Other assets	254	—	—	254
Intangible assets, net	—	4,231	39(C)	4,270
Goodwill	—	—	499(C)	499
TOTAL ASSETS	$ 12,997	$ 4,494	$ (4,281)	$ 13,210
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities				
Current portion of long-term debt	$ 3,938	$ —	$ —	$ 3,938
Accounts payable and accrued expenses	2,051	—	—	2,051
Accrued compensation	954	—	—	954
Total Current Liabilities	6,943	—	—	6,943
Long term debt, net of discount and financing fees	1,965	—	—	1,965
Other liabilities	400	—	126(D)	526
Total Liabilities	9,308	—	126	9,434
Commitments and contingencies				
Acquired Net Assets	—	4,494	(4,494)(E)	—
Stockholders' equity	3,689	—	87(F)	3,776
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 12,997	$ 4,494	$ (4,281)	$ 13,210

The accompanying notes are an integral part of these pro-forma condensed combined financial statements.

The Pro-Forma Condensed Combined Balance Sheet include the following adjustments in order to present the balance sheet as if the transaction occurred on June 30, 2016:

(A) Cash and cash equivalents - to record the cash purchase price of $4.0 million paid upon closing of the acquisition and acquisition-related transaction costs of $0.9 million (including accounting, audit, legal and valuation fees) incurred in connection with the acquisition which were expensed as incurred.

(B) Property, Plant and equipment, net - acquired property and equipment was increased $44,000 to adjust the book value of the assets to their estimated fair value.

(C) Intangible assets and Goodwill - represents adjustments to reflect the estimated fair value of developed technology, customer relationships, trademarks and trade name, and residual goodwill.

(D) Other liabilities - to reflect the fair value of contingent consideration given to the Seller in connection with the transaction.

(E) Acquired net assets - to eliminate acquiree's net assets balances.

(F) Stockholders' Equity - reflects $0.95 million of equity consideration paid for the acquisition, and $0.9 million of transaction related costs, which were expensed when incurred.

Sunshine Heart, Inc.
Pro Forma Condensed Combined Statement of Operations
For the year ended December 31, 2015
(amounts in thousands, except per share data) (unaudited)

	Sunshine Heart Historical	Aquadex Business Historical	Pro Forma Adjustments	Pro Forma Combined
Net Sales	$ 59	$ 4,166	$ —	$ 4,225
Costs and Expenses				
Cost of goods sold	—	3,772	(771)(G)	3,001
Selling, general and administrative	8,345	1,392	—	9,737
Research and development	17,672	6	—	17,678
Impairment loss	—	12,962	—(H)	12,962
Total costs and expenses	26,017	18,132	(771)	43,378
Loss from operations	(25,958)	(13,966)	(771)	(39,153)
Interest expense	743	—	—	743
Other expense, net	6	—	—	6
Loss before income taxes	(26,707)	(13,966)	771	(39,902)
Income tax benefit, net	124	—	—	124
Net loss	$ (26,583)	$ (13,966)	$ 771	$ (39,779)
Basic and diluted loss per share	$ (1.47)	$ —	$ —	$ (2.08)
Weighted average shares outstanding- basic and diluted	18,119	—	1,000(I)	19,116

The accompanying notes are an integral part of these pro-forma condensed combined financial statements.

The Pro-Forma Condensed Combined Statements of Operations include the following adjustments in order to present the results of operations as if the transaction had occurred on January 1, 2015:

(G) Costs of goods sold - to reverse amortization of intangibles and depreciation of manufacturing equipment recorded by Seller. Reflects pro forma amortization expense on the portion of the purchase price allocated to intangible assets which are being amortized over 7 years and pro forma depreciation expense on manufacturing equipment which is being amortized over 5 years.

(H) Impairment loss - In 2015, Seller recognized an impairment charge related to carrying value of the Business' intangible assets which had been previously acquired by Seller. No pro forma adjustment has been recorded as it is not directly attributable to the transaction.

(I) To reflect the impact of 1 million shares issued to Seller as part of the consideration for the acquisition.

Sunshine Heart, Inc.
Pro Forma Condensed Combined Statement of Operations
For the six months ended June 30, 2016
(amounts in thousands, except per share data) (unaudited)

	Sunshine Heart Historical	Aquadex Business Historical	Pro Forma Adjustments	Pro Forma Combined
Net Sales	$ —	$ 1,623	$ —	$ 1,623
Costs and Expenses				
Cost of goods sold	—	1,805	(323)(G)	1,482
Selling, general and administrative	2,761	95	—	2,856
Research and development	5,776	4	—	5,780
Total costs and expenses	8,537	1,904	(323)	10,118
Loss from operations	(8,537)	(281)	323	(8,495)
Interest expense	436	—	—	436
Other expense, net	—	—	—	—
Loss before income taxes	(8,973)	(281)	323	(8,931)
Income tax expense	1	—	—	1
Net loss	$ (8,974)	$ (281)	$ 323	$ (8,932)

Basic and diluted loss per share	$ (0.49)	$ —	$ —	$ (0.46)
Weighted average shares outstanding- basic and diluted	18,378		1,000(H)	19,373

The accompanying notes are an integral part of these pro-forma condensed combined financial statements.

The Pro-Forma Condensed Combined Statements of Operations include certain adjustments in order to present the results of operations as if the transaction had occurred on January 1, 2015.

NOTES TO PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS (UNAUDITED) (AMOUNTS IN THOUSANDS)

Note 1 - Basis of presentation

The historical consolidated financial statements have been adjusted in the pro forma condensed combined financial statements to give effect to pro forma events that are a) directly attributable to the business combination, b) factually supportable, and c) expected to have a continuing impact on the combined results following the business combination.

The acquisition was accounted for under FASB Accounting Standards Codification Topic 805 (ASC 805), Business Combinations. The fair values of assets acquired are based on preliminary estimates of fair values as of the acquisition date. Management believes the fair values recognized for the assets acquired and liabilities assumed are based on reasonable estimates and assumptions. Preliminary fair value estimates may change as additional information becomes available. There can be no assurance that the final determination will not result in material changes from these preliminary amounts.

In management’s opinion, all adjustments necessary to reflect the significant effects of these transactions have been made. These statements are based on assumptions and estimates considered appropriate by our management; however, they are unaudited and are not necessarily, and should not be assumed to be, an indication of our financial position or results of operations that would have been achieved had the acquisitions been completed as of the dates indicated or that may be achieved in the future. The unaudited pro forma condensed combined statements of operations do not include the effects of any non-recurring costs or one-time transaction-related costs.

Note 2 — Preliminary purchase price allocation

The unaudited pro forma condensed combined financial information reflects a total purchase consideration of approximately $5.1 million, consisting of $4.0 million in cash, 1 million shares valued at $0.95 million and contingent consideration valued at $0.1 million. The equity consideration was calculated based upon the closing price of the Company’s stock of $0.95 per share on August 5, 2016. The contingent consideration was calculated at the estimated fair value of the Company’s obligation to pay the Seller 40% of any proceeds in excess of $4.0 million related to the sale or disposal of the Aquadex Business assets within three years of the close of the transaction, as described in the Introductory Note. In management’s estimation, changes in fair value of this contingent consideration will not have a material impact on the Company’s financial position or results of operations.

The Company has performed a preliminary assessment of the fair market value of the assets acquired. The Company recognized tangible and intangible assets acquired based upon their respective estimated fair values as of the acquisition date. As part of the preliminary valuation analysis, the Company identified intangible assets, including technology, customer relationships and trademarks and trade names. The fair value of identifiable intangible assets was determined primarily using the “income approach,” which requires a forecast of all of the expected future cash flows. The following table summarizes the preliminary allocation of the purchase price as of the acquisition date (in thousands):

Capital lease asset	$ 307
Intangible assets	4,270
Total identifiable net assets	4,577
Goodwill	499
Total fair value of assets acquired	$ 5,076

This preliminary purchase price allocation has been used to prepare pro forma adjustments in the pro forma balance sheet and income statement. The final purchase price allocation will be determined when the Company has completed the detailed valuations and necessary calculations. The final allocation could differ materially from the preliminary allocation used in the pro forma adjustments. The final allocation may include (1) changes in fair values of property, plant and equipment, (2) changes in allocations to intangible assets such as trade names, technology and customer relationships as well as goodwill and (3) other changes to assets and liabilities.

The calculated value of the identifiable intangible assets are amortized using the straight-line method over an estimated useful life of seven years.

The Company also entered into a Manufacturing and Supply Agreement (“***MSA***”) in conjunction with the asset purchase agreement that will expire within a period not to exceed 18 months from the close of the transaction. Upon termination of the MSA, the property plant and equipment of the Aquadex Business will transfer to the Company at no additional cost. Also upon termination of the MSA, the Company has an obligation to purchase the remaining Aquadex Business inventory.