SECURITIES & EXCHANGE COMMISSION EDGAR FILING

SANUWAVE Health, Inc.

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

FORM 8-K/A

Amendment No. 2

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 6, 2020

SANUWAVE HEALTH, INC.

(Exact Name of Registrant as Specified in its Charter)

Nevada	000-52985	20-1176000
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification Number)

3360 Martin Farm Road, Suite 100
Suwanee, Georgia 30024
(Address of Principal Executive Offices, Including Zip Code)

(770) 419-7525
(Registrant's Telephone Number, Including Area Code)

(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:

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

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

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

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

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	SNWV	OTCQB

Indicate by check mark whether the registrant is an emerging growth company as defined in as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

EXPLANATORY NOTE

This current report on Form 8-K/A (this "Amendment") amends the current report on Form 8-K dated August 6, 2020 filed by SANUWAVE Health, Inc. (the "Company") with the U.S. Securities and Exchange Commission on August 12, 2020, as amended on August 21, 2020 (as amended, the "Original Form 8-K"). This Amendment is solely for the purpose of providing the financial statements and information required by Item 9.01(a) of Form 8-K and the pro forma financial information required by Item 9.01(b) of Form 8-K in connection with the Company's previously reported acquisition of the UltraMIST assets from Celularity, Inc.

This Amendment No. 1 on Form 8-K/A amends and supplements the Original Form 8-K to include the UltraMIST product line of Celularity, Inc., abbreviated audited financial statements as of December 31, 2019, December 31, 2018 and June 30, 2020 (unaudited), and the unaudited pro forma combined financial information as of June 30, 2020 and December 31, 2019 and for the six months ended June 30, 2020 and 2019, as required by Item 9.01 of Form 8-K that were not included in the Original 8-K in reliance on the instructions to such item. Except as set forth herein, no modifications have been made to information contained in the Original Form 8-K, and the Company has not updated any information contained therein to reflect events that have occurred since the date of the Original Form 8-K.

Item 9.01. Financial Statements and Exhibits.

(a) Financial statements of business acquired.

The UltraMIST product line of Celularity, Inc., abbreviated audited financial statements as of December 31, 2019, December 31, 2018 and June 30, 2020 (unaudited), with the accompanying notes, are filed herewith as Exhibit 99.1 to this Form 8-K/A.

(b) Pro forma financial Information.

The UltraMIST product line of Celularity, Inc., abbreviated unaudited pro forma financial statements as of June 30, 2020 and December 31, 2019, and for the six months ended June 30, 2020 and June 30, 2019, with the accompanying notes, are filed herewith as Exhibit 99.2 to this Form 8-K/A.

(d) Exhibits

The exhibits listed in the following Exhibit Index are filed as part of this Current Report on Form 8-K.

Exhibit Number	Description
99.1	UltraMIST product line of Celularity, Inc., audited abbreviated financial statements as of December 31, 2019, December 31, 2018 and June 30, 2020 (unaudited)
99.2	UltraMIST product line of Celularity, Inc., unaudited abbreviated pro forma financial statements as of June 30, 2020 and December 31, 2019, and for the six months ended June 30, 2020 and 2019

SIGNATURE

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.

Date: December 30, 2020	**SANUWAVE HEALTH, INC.**
	By: /s/ Lisa E. Sundstrom
	Lisa E. Sundstrom
	Chief Financial Officer

Exhibit 99.1

ULTRAMIST PRODUCT LINE OF CELULARITY, INC.
ABBREVIATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholders of
SANUWAVE Health, Inc.

Report on the Abbreviated Financial Statements

We have audited the accompanying abbreviated financial statements of the UltraMIST Product Line of Celularity, Inc., which comprise the statement of assets acquired as of December 31, 2019 and 2018, and the related statements of revenues and direct expenses for the year ended December 31, 2019 and the period from May 7, 2018 through December 31, 2018, and the related notes to the abbreviated financial statements.

Management's Responsibility for the Abbreviated Financial Statements

Management is responsible for the preparation and fair presentation of these abbreviated 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these abbreviated 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 abbreviated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the abbreviated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the abbreviated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the abbreviated 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 entity'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 abbreviated 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 abbreviated financial statements referred to above present fairly, in all material respects, the statements of assets acquired of the UltraMIST Product Line of Celularity, Inc. as of December 31, 2019, and the related consolidated statement of revenue and direct expenses for the year ended December 31, 2019 and the period from May 7, 2018 through December 31, 2018 in accordance with accounting principles generally accepted in the United States of America.

Basis of Accounting

As described in Note 1, the abbreviated financial statements have been prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and are not intended to be a complete presentation of the UltraMIST Product Line of Celularity, Inc.'s financial position, revenue and expenses. Our opinion is not modified with respect to this matter.

/s/ Marcum LLP

Marcum LLP
New York, NY
December 30, 2020

ULTRAMIST PRODUCT LINE OF CELULARITY, INC.
ABBREVIATED FINANCIAL STATEMENTS

STATEMENT OF ASSETS ACQUIRED

(U.S. Dollars)

	December 31,		June 30,
	2019	2018	2020
			(Unaudited)
Assets:			
Inventory	$ 1,953,530	$ 1,140,575	$ 2,011,127
Property and equipment, net	554,851	357,053	495,184
Total assets acquired	$ 2,508,381	$ 1,497,628	$ 2,506,311

The accompanying notes are an integral part of these abbreviated financial statements.

ULTRAMIST PRODUCT LINE OF CELULARITY, INC.
ABBREVIATED FINANCIAL STATEMENTS

STATEMENT OF REVENUES AND DIRECT EXPENSES

(U.S. Dollars)

	Year Ended December 31, 2019	May 7, 2018 through December 31, 2018	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
			(Unaudited)	(Unaudited)
Revenues	$ 7,974,825	$ 5,358,175	$ 2,972,000	$ 3,989,825
Cost of goods sold	2,920,239	2,248,733	1,106,625	1,330,577
Direct expenses:				
Sales and marketing	2,379,641	1,346,166	1,370,674	1,110,219
General and administrative	462,874	142,695	234,935	225,354
Total direct expenses	2,842,515	1,488,861	1,605,609	1,335,573
Revenues in excess of cost of goods sold and direct expenses	$ 2,212,071	$ 1,620,581	$ 259,766	$ 1,323,675

The accompanying notes are an integral part of these abbreviated financial statements.

NOTES TO ABBREVIATED FINANCIAL STATEMENTS

1. Nature of the Business and Basis of Presentation

Description of the Transaction

On August 6, 2020, SANUWAVE Health, Inc. ("Sanuwave") entered into an asset purchase agreement (the "Asset Purchase Agreement") with Celularity Inc. ("Celularity") pursuant to which Sanuwave acquired Celularity's UltraMIST® Ultrasound Healing Therapy assets (the "Assets"). The aggregate consideration paid for the Assets was $24,000,000, which consisted of (i) a cash payment of $18,890,000, (ii) the issuance of a convertible promissory note to Celularity in the principal amount of $4,000,000 (the "Seller Note"), and (iii) a credit of $1,110,000 for the previous payment made by Sanuwave to Celularity pursuant to that certain letter of intent between Sanuwave and Celularity dated June 7, 2020. The closing of the transaction occurred on August 6, 2020.

In connection with the Asset Purchase Agreement, on August 6, 2020, Sanuwave entered into a license and marketing agreement with Celularity pursuant to which Celularity granted to Sanuwave a license to the Celularity wound care biologic products, Biovance® and Interfyl® (the "License Agreement"). The License Agreement provides Sanuwave with an exclusive license to use, market, distribute and sell Biovance® in the Field (as defined in the License Agreement) in the Territory (as defined in the License Agreement), and a non-exclusive license to use, market, distribute and sell Interfyl® in the Field in the Territory. The License Agreement has an initial five year term, after which it automatically renews for additional one year periods, unless either party gives written notice at least 180 days prior to the expiration of the current term.

Basis of Presentation

The accompanying abbreviated financial statements, which consist of the statements of assets acquired as of December 31, 2019, December 31, 2018 and June 30, 2020 and related statements of revenues and direct expenses for the year ended December 31, 2019, the period from May 7, 2018 through December 31, 2018, and the six months ended June 30, 2020 and June 30, 2019 and the related notes thereto will henceforth be collectively referred to as the "Abbreviated Financial Statements". The Abbreviated Financial Statements were prepared for the purpose of complying with the requirements of Rule 3-05 of the U.S. Securities Exchange Commission Regulation S-X and present the assets acquired and the related revenues and direct expenses of the UltraMIST® Ultrasound Healing Therapy product line (the "UltraMIST Product Line" or the "Business") of Celularity. UltraMIST® Ultrasound Healing Therapy provides low frequency contactless ultrasound to the treatment area as a means to promote wound healing. The Abbreviated Financial Statements are prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") and are unaudited with respect to the accompanying financial statements as of June 30, 2020 and the six months ended June 30, 2020 and 2019.

Following its acquisition of the UltraMIST Product Line on May 7, 2018, Celularity initially recognized acquired assets and liabilities of the Business at fair value in its consolidated financial statements. As permitted by Accounting Standards Codification ("ASC") Topic 805, Business Combinations ("ASC 805"), the Business has elected to apply pushdown accounting in the Abbreviated Financial Statements for the periods following its acquisition by Celularity. As a consequence, for all periods presented within the Abbreviated Financial Statements, the Business is reflected using Celularity's "stepped-up basis".

It is impracticable to prepare complete financial statements of the UltraMIST Product Line as Celularity has not maintained the separate accounts necessary to present them. The UltraMIST Product Line was not a separate legal entity, subsidiary or operating segment of Celularity, it was never operated as a stand-alone business or division and it has not prepared separate financial statements in the past. As a result, the statements of revenues and direct expenses were derived from the operating activities directly attributable to the UltraMIST Product Line from Celularity's books and records and contain allocations of certain operating expenses generally on the basis of a percentage of revenue as compared to Celularity's total wound care biologic products or other reasonable and consistently applied allocation methodologies. Although management is unable to determine all of the actual costs, expenses and resulting operating results associated with the UltraMIST Product Line, it considers the allocation of such items to be reasonable for the periods presented. However, the direct expenses and revenues of the UltraMIST Product Line may differ from the results that would have been achieved had the UltraMIST Product Line operated as a separate entity and may not necessarily reflect the assets and liabilities or revenues and expenses of the Product Line on a stand-alone basis in the future. As described in more detail in Note 2, the statements of revenues and direct expenses exclude certain costs borne by Celularity to support the UltraMIST Product Line. As such, the statements are not indicative of the future results of the UltraMIST Product Line as they omit various operating expenses that Sanuwave will incur to operate the UltraMIST Product Line in the future and, regardless, Sanuwave has different expense structures and commercialization infrastructure related to the UltraMIST Product Line than Celularity.

The Business's statements of assets acquired were created by Celularity management by identifying specific instances of inventory and fixed assets related to the UltraMIST Product Line and acquired by Sanuwave as part of the Asset Purchase Agreement. The statements of assets acquired exclude any acquisition accounting adjustments related to the Asset Purchase Agreement including, but not limited to, differences between the assets' and liabilities' stepped-up accounting basis of accounting and their fair values upon acquisition or assumption by Sanuwave, any amounts related to the License Agreement, and the recognition of goodwill and other separately identifiable intangible assets acquired at the acquisition date.

The UltraMIST Product Line's financing needs were supported by Celularity and cash generated by the UltraMIST Product Line was transferred to Celularity. As the UltraMIST product line has historically been managed as part of the operations of Celularity and has not operated as a stand-alone entity, it is impractical to prepare historical cash flow information regarding the UltraMIST Product Line's operating, investing, and financing cash flows. As such, information on Cash Flows is not presented herein.

2. **Corporate Overhead and Accounting**

Celularity performs certain functions for the UltraMIST Product Line including, but not limited to, corporate management, certain legal services, administration of insurance, regulatory and compliance, treasury, information systems, finance, corporate income tax administration, employee compensation and benefit management, facilities and other corporate expenses. The costs of these functions historically have not been allocated to its products, are not directly attributable or specifically identifiable to the UltraMIST Product Line, and therefore, are not included in the Abbreviated Financial Statements. Income taxes and interest expense have not been included in the accompanying statements as these expenses are not specifically attributable to the UltraMIST Product Line.

3. **Summary of Significant Accounting Policies**

Recent Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), as amended ("ASU 2016-02"). Under ASU 2016-02, lessees will be required to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease measured on a discounted basis, and a right-to-use asset, which is an asset that represents the lessee's right to control the use of an identified asset for the lease term, at the commencement date for all leases with a term greater than one year. In June 2020, the FASB issued ASU 2020-05, Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)—Effective Dates for Certain Entities ("ASU 2020-05"), which defers the effective date of ASU 2016-02 for private entities to fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Celularity will defer the adoption of ASU 2016-02 pursuant to ASU 2020-05 and plans to adopt the new standard on January 1, 2022. Celularity is evaluating the impact of adopting this new accounting guidance on its consolidated financial statements and related disclosures.

Use of Estimates

The preparation of the Abbreviated Financial Statements requires management to make estimates and assumptions that affect the reported amounts of direct assets and liabilities at the date of the statements of assets acquired and the reported amounts of revenues and direct expenses during the reporting periods. Significant estimates and assumptions reflected in these Abbreviated Financial Statements relate to inventory valuation, impairment and useful lives of fixed assets and the allocation of certain operating expenses. Actual results could differ from the estimates and assumptions used in preparing these Abbreviated Financial Statements.

Revenue Recognition

The Business generates revenue from the sale of its UltraMIST® Therapy System. The UltraMIST® Therapy System consists of a generator and treatment wand (collectively, the "UltraMIST Equipment") along with single-use applicators (the "UltraMIST Applicators") and optional accessories (e.g. roll stand and carts).

Effective January 1, 2019, the Business adopted ASC Topic 606, Revenue from Contracts with Customers ("ASC 606"), using the modified retrospective transition method to all contracts that were not completed as of January 1, 2019. Results for reporting periods beginning after January 1, 2019 are presented under ASC 606, while prior period amounts continue to be reported under ASC Topic 605, Revenue Recognition, ("ASC 605"). The Business recognizes revenue when control of the products is transferred to its customers in an amount that reflects the consideration it expects to receive from its customers in exchange for those products. This process involves identifying the contract with a customer, determining the performance obligations in the contract, determining the contract price, allocating the contract price to the distinct performance obligations in the contract, and recognizing revenue when the performance obligations have been satisfied.

A performance obligation is considered distinct from other obligations in a contract when it provides a benefit to the customer either on its own or together with other resources that are readily available to the customer and is separately identified in the contract. The Business has generally identified the supply of the UltraMIST Equipment or UltraMIST Applicators as distinct goods that represent separate performance obligations.

The Business considers a performance obligation satisfied once it has transferred control of a good to the customer, meaning the customer has the ability to use and obtain the benefit of the good. This generally occurs upon shipment or delivery of UltraMIST Equipment (after the evaluation period discussed below) or UltraMIST Applicators to the customer depending upon the contractual shipping terms of the contract.

Transaction prices of products are typically based on contracted rates with customers. It is customary for the Business to offer sales incentives, such as volume rebates, prompt payment discounts and promotional discounts, which may result in variable consideration for the goods transferred under a contract. To the extent that the transaction price includes variable consideration, the Business estimates the amount of variable consideration that should be included in the transaction price utilizing the expected value method or the most likely amount, depending on the circumstances, to which the Business expects to be entitled.

The Business provides for rights of return to customers on its UltraMIST® Therapy System products. To date, the Business has had minimal product returns and therefore has not recorded a provision for returns. The Business offers product warranties which provide assurance that the product will function as expected and in accordance with specification. Customers can purchase warranties separately and these warranties give rise to a separate performance obligation.

The adoption of ASC 606 did not have an impact on the amount of reported revenues with respect to revenues generated from the Business's operations.

The UltraMIST Equipment can be obtained by the customer in three ways: (a) the purchase of the UltraMIST Equipment outright; (b) the lease of the UltraMIST Equipment for a monthly rental fee; or (c) pay-per-use arrangement whereupon the Business provides the UltraMIST Equipment for a single pay per use fee, subject to a minimum purchase requirement of UltraMIST Applicators. UltraMIST Applicators are separately ordered and purchased by customers who opt to purchase or directly lease the equipment. In addition, the Business offers the UltraMIST Equipment for a standard 90 day evaluation period at no charge to the customer for the UltraMIST Equipment, however, UltraMIST Applicators are required to be purchased during the evaluation term. When the Business leases or enters into a pay-per use arrangement, it retains title to the equipment at all times. Pay-per-use arrangements were de minimus to the abbreviated financial statements.

For customer contracts with multiple performance obligations, revenue is allocated to each performance obligation based on its relative standalone selling price. Standalone selling prices are determined based on observable prices at which the Business separately sells its products. When the Business's customer arrangements contain a lease or pay-per-use arrangement, the Business allocates the arrangement consideration between the lease deliverable (i.e., the UltraMIST Equipment) and non-lease deliverable (i.e., the UltraMIST Applicators). The consideration allocated to the lease arrangement is established in the lease arrangement. The consideration related to the pay-per-use arrangements is allocated to the lease deliverable based on the "Minimum Volume Method", which uses the contractual minimum volume in the relative fair value calculation because the ultimate level of UltraMIST Applicator purchases is unknown.

Period ending prior to December 31, 2018

Results prior to December 31, 2018, continue to be reported under ASC 605. Under ASC 605, the Business recognizes revenue from sales to customers when all of the following criteria are met: persuasive evidence of an arrangement exists, delivery has occurred (based on contractual shipping terms), the sales price is fixed or determinable, and collectability is reasonably assured. Revenue is recognized upon delivery to the customer.

The Business's UltraMIST Therapy System embedded software is excluded from the scope of software revenue recognition requirements and instead fall within the scope of ASC 605 because the hardware sold cannot be used apart from the embedded software.

For multiple-element arrangements, each deliverable within a multiple-deliverable revenue arrangement is accounted for as a separate unit of accounting if both of the following criteria are met: (i) the delivered item or items has value to the customer on a stand-alone basis; and (ii) for an arrangement that includes a general right of return relative to the delivered item, delivery or performance of the undelivered item is considered probable and substantially in management's control.

Lease revenues

Consideration allocated to the lease arrangements in contracts that include the rental or pay-per-use of UltraMIST Equipment is accounted for in accordance with ASC Topic 840, Leases (“ASC 840”) and recognized in revenue ratably over the life of the lease after any evaluation period has ended.

Inventory

Inventory, consisting of finished goods available for sale, is accounted for using the first-in, first-out method and valued at the lower of cost or net realizable value. If any inventory has a cost basis in excess of its net realizable value, is in excess of expected sales requirements as determined by internal sales forecasts, or fails to meet commercial sale specifications, the inventory is written-down through a charge to cost of goods sold. The determination of whether inventory costs will be realizable requires estimates by management of future expected inventory requirements, based on sales forecasts. If actual market conditions are less favorable than those projected by management, inventory write-downs may be required.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation. Depreciation expense is recognized using the straight-line method over the estimated useful life of three to seven years for system equipment, lab. equipment, furniture and fixtures, and computer equipment. Leasehold improvements are depreciated using the straight-line method over the lesser of the estimated useful life or the remaining lease term. When items of property and equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain/loss is included in income.

Leases

The Business has entered into lease agreements for its warehousing, office facility and office equipment. The Business determines if a lease arrangement is an operating lease or capital lease at inception. Lease costs are recognized on a straight-line basis over the term of the lease in accordance with ASC 840.

4. **Revenue**

Effective January 1, 2019, the Business adopted ASC 606 using the modified retrospective transition method to all contracts that were not completed as of January 1, 2019. Results for reporting periods beginning after January 1, 2019 are presented under ASC 606, while prior period amounts continue to be reported under ASC 605. Following the adoption of ASC 606, Sanuwave recognizes revenue in accordance with two different accounting standards: 1) ASC 606 and 2) ASC 840.

Following the adoption of Topic 606, Sanuwave recognizes revenue in accordance with two different accounting standards: 1) Topic 606 and 2) Topic 840. The following table presents revenue summarized by type and by applicable accounting standard.

	For the Year Ended December 31, 2019			May 7, 2018 through December 31, 2018		
	Topic 606	Topic 840	Total	Topic 605	Topic 840	Total
Equipment sales	$ 6,892,790	$ -	$ 6,892,790	$ 4,601,967	$ -	$ 4,601,967
Equipment leases	-	1,022,635	1,022,635	-	701,870	701,870
Equipment warranties	59,400	-	59,400	54,338	-	54,338
Total revenues	$ 6,952,190	$ 1,022,635	$ 7,974,825	$ 4,656,305	$ 701,870	$ 5,358,175

	For the Six Months Ended June 30,					
	2020 (Unaudited)			2019 (Unaudited)		
	Topic 606	Topic 840	Total	Topic 606	Topic 840	Total
Equipment sales	$ 2,464,875	$ -	$ 2,464,875	$ 3,454,327	$ -	$ 3,454,327
Equipment leases	-	507,125	507,125	-	492,735	492,735
Equipment warranties	-	-	-	42,763	-	42,763
Total revenues	$ 2,464,875	$ 507,125	$ 2,972,000	$ 3,497,090	$ 492,735	$ 3,989,825

No single customer accounted for more than 10% of revenue in any of the periods presented.

5. **Property and Equipment**

The following is a summary of property and equipment by major classifications:

	December 31,		June 30,
	2019	2018	2020
			(Unaudited)
System equipment	$ 696,938	$ 236,908	$ 775,788
Lab equipment	303,787	295,974	303,787
Leasehold improvements	17,079	17,079	17,079
Furniture and fixtures	1,757	1,757	1,757
Computer equipment and other	16,563	16,563	16,563
Total	1,036,124	568,281	1,114,974
Less accumulated depreciation and amortization	(481,273)	(211,228)	(619,790)
Property and equipment, net	$ 554,851	$ 357,053	$ 495,184

Depreciation and amortization expense was $270,045 for 2019, $211,228 for the post-acquisition period from May 7, 2018 through December 31, 2018, $138,517 for the six months ended June 30, 2020 (unaudited) and $145,233 for the six months ended June 30, 2019 (unaudited).

6. **Leases**

The Business leases an office and warehouse space in Eden Prairie, Minnesota directly related to the UltraMIST Product Line, which expires in 2023. The Business also leases office equipment for its Eden Prairie location, which expires in 2025.

The Business recognizes lease costs on a straight-line basis over the respective lease periods and has recorded deferred rent for rent expense incurred but not yet paid. Lease costs were $102,000 for the year ended December 31, 2019, $84,286 for the period from May 7, 2018 to December 31, 2018, and $57,000 and $55,000 for the six months ended June 30, 2020 (unaudited) and 2019 (unaudited), respectively.

Minimum future lease payments under all operating leases as of June 30, 2020 are as follows:

Year ending December 31,	**Minimum Lease Payments (Unaudited)**
2020 (six months)	$ 46,990
2021	94,063
2022	96,195
2023	68,017
2024 and thereafter	11,373
Total minimum lease payments	$ 316,638

7. **Commitments and Contingencies**

In the ordinary course of business, the Business is involved in litigation, claims, government inquiries, investigations and proceedings, relating to intellectual property, commercial, employment, environmental and regulatory matters. There are no such claims or disputes pending.

8. **Subsequent Events**

The Business has evaluated subsequent events as of June 30, 2020 and through December 30, 2020, the date on which these Abbreviated Financial Statements were available to be issued, and is not aware of any items that that would require adjustment to or disclosure in these Abbreviated Financial Statements and related notes.

UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

On August 6, 2020, SANUWAVE Health, Inc. (“Sanuwave”, or the “Company”) entered into an asset purchase agreement (the “Asset Purchase Agreement”) with Celularity Inc. (“Celularity”) pursuant to which the Company acquired (the “Transaction”) Celularity’s UltraMIST assets (“UltraMIST”, or the “Assets”). The aggregate consideration paid for the Assets was $24,000,000, which consisted of (i) a cash payment of $18,890,000, (ii) the issuance of a convertible promissory note to Celularity in the principal amount of $4,000,000 (the “Seller Note”), and (iii) a credit of $1,110,000 for the previous payment made by the Company to Celularity pursuant to that certain letter of intent between the Company and Celularity dated June 7, 2020. The closing of the transaction occurred on August 6, 2020.

In connection with the Asset Purchase Agreement, on August 6, 2020, the Company entered into a license and marketing agreement with Celularity pursuant to which Celularity granted to the Company a license to the Celularity wound care biologic products, Biovance® and Interfyl® (the “License Agreement”). The License Agreement provides the Company with an exclusive license to use, market, distribute and sell Biovance® in the Field (as defined in the License Agreement) in the Territory (as defined in the License Agreement), and a non-exclusive license to use, market, distribute and sell Interfyl® in the Field in the Territory. The License Agreement has an initial five year term, after which it automatically renews for additional one year periods, unless either party gives written notice at least 180 days prior to the expiration of the current term.

The following tables and accompanying notes (collectively the “Pro forma Financial Statements”) present Sanuwave’s statements of income and balance sheet on a pro forma combined basis after giving effect to the Transaction. The information in the tables below under the heading “Unaudited Pro Forma Combined Statement of Income” for the six months ended June 30, 2020 and the year ended December 31, 2019 give effect to the Transaction as if it had taken place on January 1, 2019 (the “Unaudited Pro Forma Combined Statements of Income”). The information in the table below under the heading “Unaudited Pro Forma Combined Balance Sheet” as of June 30, 2020 gives effect to the Transaction as if it had taken place on June 30, 2020 (the “Unaudited Pro Forma Combined Balance Sheet”).

The pro forma adjustments are based upon currently available information and certain assumptions that Sanuwave’s management believes are reasonable. The unaudited pro forma combined financial information is presented for informational purposes only and is not intended to present or be indicative of what the results of operations or financial position would have been had the events actually occurred on the dates indicated, nor is it meant to be indicative of future results of operations or financial position for any future period or as of any future date. The unaudited pro forma combined financial information does not give effect to the potential impact of current financial conditions, or any anticipated revenue enhancements, cost savings or operating synergies that may result from the Transaction.

The historical financial information of the Company being presented in these Unaudited Pro Forma Financial Statements is derived from the Company's unaudited consolidated statement of income for the six months ended June 30, 2020, audited consolidated statement of income for the fiscal year ended December 31, 2019 and unaudited consolidated balance sheet as of June 30, 2020,which were prepared in accordance with GAAP.

The historical financial information of the Assets being presented in these Unaudited Pro Forma Financial Statements is based on the Abbreviated Statements of Assets Acquired and Abbreviated Statements of Revenues and Direct Expenses (the “Abbreviated Financial Statements”), which are in an abbreviated format and are presented in lieu of the financial information otherwise required by Rule 3-05 of Regulation S-X. The historical abbreviated financial information of the Assets is derived (“carved-out”) from Celularity’s consolidated financial statements, including the unaudited consolidated statement of income for the six months ended June 30, 2020, the audited consolidated statement of income for the year ended December 31, 2019 and the unaudited consolidated balance sheet as of June 30, 2020, which were prepared in accordance with GAAP. Note 1 to the Abbreviated Financial Statements included in Exhibit 99.1 of this Form 8-K/A provides further information regarding the basis of presentation and allocations made in the Abbreviated Financial Statements. The Abbreviated Financial Statements only reflect the assets and liabilities conveyed in the Asset Purchase Agreement, and do not purport to reflect the financial position and results of operations of the Assets had such business operated on a stand-alone basis during the periods presented.

The assumptions and estimates underlying the unaudited adjustments to the Unaudited Pro Forma Financial Statements are described in the accompanying notes, which should be read together with the Unaudited Pro Forma Financial Statements. In addition, the Unaudited Pro Forma Financial Statements should be read in conjunction with the following:

- Sanuwave's Annual Report on Form 10-K for the year ended December 31, 2019 filed with the U.S. Securities and Exchange Commission ("SEC") on March 30, 2020;
- Sanuwave's Quarterly Report on Form 10-Q for the period ended June 30, 2020 filed with the SEC on August 14, 2020;
- UltraMIST Product Line of Celularity's audited abbreviated statements as of December 31, 2019 and the year ended December 31, 2019 included in Exhibit 99.1 of this Form 8-K/A; and
- UltraMIST Product Line of Celularity's unaudited abbreviated statements as of June 30, 2020 and December 31, 2019 (audited) and for the six months ended June 30, 2020 and 2019 included in Exhibit 99.1 of this Form 8-K/A.

The Unaudited Pro Forma Financial Statements have been prepared for illustrative purposes only and are based on assumptions and estimates considered appropriate by Sanuwave's management. However, they do not necessarily reflect what the combined company's financial condition or results of income would have been had the Transaction occurred on the dates set forth above, nor do they purport to be indicative of the future financial condition and results of income of the combined company. The Unaudited Pro Forma Statements of Income are not indicative of the income of the combined company going forward because the Abbreviated Financial Statements necessarily exclude various operating expenses of UltraMIST.

SANUWAVE HEALTH, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME
For the Six Months Ended June 30, 2020
(Unaudited)

	Sanuwave (Historical)	UltraMIST (Historical)	Transaction Accounting Adjustments	Notes	Pro Forma Combined
REVENUES					
Product	$ 143,900	$ 2,972,000	$ -		$ 3,115,900
License fees	10,000	-	-		10,000
Other revenue	77,993	-	-		77,993
TOTAL REVENUES	231,893	2,972,000	-		3,203,893
COST OF REVENUES					
Product	103,740	1,106,625	(58,271)	2, 4(l)	1,152,094
Other	11,484	-	-		11,484
TOTAL COST OF REVENUES	115,224	1,106,625	(58,271)		1,163,578
GROSS MARGIN	116,669	1,865,375	58,271		2,040,315
OPERATING EXPENSES					
Research and development	551,661	-	-		551,661
Selling and marketing	1,041,001	1,370,674	944,658	2, 4(n)	3,356,333
General and administrative	4,474,710	234,935	-		4,709,645
Depreciation and amortization	117,789	-	896,095	4(m)	1,013,884
TOTAL OPERATING EXPENSES	6,185,161	1,605,609	1,840,753		9,631,523
OPERATING LOSS	(6,068,492)	259,766	(1,782,482)		(7,591,208)
OTHER INCOME (EXPENSE)					
Interest expense	(187,673)	-	(1,384,155)	4(k)	(1,571,828)
Interest expense, related party	(369,736)	-	-		(369,736)
Loss on foreign currency exchange	(8,267)	-	-		(8,267)
TOTAL OTHER INCOME (EXPENSE), NET	(565,676)	-	(1,384,155)		(1,949,831)
NET LOSS	(6,634,168)	259,766	(3,166,637)		(9,541,039)
OTHER COMPREHENSIVE INCOME (LOSS)					
Foreign currency translation adjustments	(1,923)	-	-		(1,923)
TOTAL COMPREHENSIVE LOSS	$ (6,636,091)	$ 259,766	$ (3,166,637)		$ (9,542,962)
LOSS PER SHARE:					
Net loss - basic and diluted	$ (0.02)			4(o)	$ (0.02)
Weighted average shares outstanding - basic and diluted	297,856,870		136,641,160	4(o)	434,498,030

See accompanying notes to the unaudited pro forma combined financial statements.

SANUWAVE HEALTH, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME
For the Year Ended December 31, 2019
(Unaudited)

	Sanuwave (Historical)	UltraMIST (Historical)	Transaction Accounting Adjustments	Notes	Pro Forma Combined
REVENUES					
Product	$ 645,169	$ 7,974,825	$ -		$ 8,619,994
License fees	315,557	-	-		315,557
Other revenue	68,004	-	-		68,004
TOTAL REVENUES	1,028,730	7,974,825	-		9,003,555
COST OF REVENUES					
Product	454,862	2,920,239	(196,542)	2, 4(l)	3,178,559
Other	84,061	-	-		84,061
TOTAL COST OF REVENUES	538,923	2,920,239	(196,542)		3,262,620
GROSS MARGIN	489,807	5,054,586	196,542		5,740,935
OPERATING EXPENSES					
Research and development	1,181,892	-	-		1,181,892
Selling and marketing	1,590,957	2,379,641	1,969,317	2, 4(n)	5,939,915
General and administrative	6,440,093	462,874	-		6,902,967
Depreciation and amortization	71,213	-	1,792,189	4(m)	1,863,402
TOTAL OPERATING EXPENSES	9,284,155	2,842,515	3,761,506		15,888,176
OPERATING LOSS	(8,794,348)	2,212,071	(3,564,964)		(10,147,241)
OTHER INCOME (EXPENSE)					
Gain on warrant valuation adjustment	227,669	-	-		227,669
Interest expense	(1,147,986)	-	(3,439,859)	4(k)	(4,587,845)
Interest expense, related party	(688,195)	-	-		(688,195)
Loss on foreign currency exchange	(26,979)	-	-		(26,979)
TOTAL OTHER INCOME (EXPENSE), NET	(1,635,491)	-	(3,439,859)		(5,075,350)
NET LOSS	(10,429,839)	2,212,071	(7,004,823)		(15,222,591)
OTHER COMPREHENSIVE INCOME (LOSS)					
Foreign currency translation adjustments	19,844	-	-		19,844
TOTAL COMPREHENSIVE LOSS	$ (10,409,995)	$ 2,212,071	$ (7,004,823)		$ (15,202,747)
LOSS PER SHARE:					
Net loss - basic and diluted	$ (0.05)			4(o)	$ (0.04)
Weighted average shares outstanding - basic and diluted	203,588,106		136,641,160	4(o)	340,229,266

See accompanying notes to the unaudited pro forma combined financial statements.

SANUWAVE HEALTH, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA COMBINED BALANCE SHEET
June 30, 2020
(Unaudited)

	Sanuwave (Historical)	UltraMIST (Historical)	Transaction Accounting Adjustments	Notes	Pro Forma Combined
CURRENT ASSETS					
Cash and cash equivalents	$ 430,606	$ -	$ 9,192,211	4(a), 4(g), 4(h), 4(i), 4(j)	$ 9,622,817
Accounts receivable, net of allowance for doubtful accounts	110,501	-	-		110,501
Inventory	651,344	2,011,127	(151,162)	4(b)	2,511,309
Prepaid expenses and other current assets	227,086	-	-		227,086
TOTAL CURRENT ASSETS	1,419,537	2,011,127	9,041,049		12,471,713
PROPERTY AND EQUIPMENT, net	591,064	495,184	(58,369)	4(c)	1,027,879
RIGHT OF USE ASSETS, net	243,251	-	248,576	4(f)	491,827
DEPOSITS	1,110,000	-	(1,110,000)	4(a)	-
OTHER INTANGIBLE ASSETS, net	-	-	14,443,425	4(d)	14,443,425
GOODWILL	-	-	7,259,795	4(e)	7,259,795
OTHER ASSETS	43,096	-	-		43,096
TOTAL ASSETS	$ 3,406,948	$ 2,506,311	$ 29,824,476		$ 35,737,735
CURRENT LIABILITIES					
Accounts payable	$ 1,799,630	$ -	$ -		$ 1,799,630
Accrued expenses	1,221,214	-	-	4	1,221,214
Accrued employee compensation	2,010,610	-	-		2,010,610
Contract liabilities	551,755	-	-		551,755
Operating lease liability	179,524	-	59,963	4(f)	239,487
Finance lease liability	181,371	-	-		181,371
Convertible promissory notes, related parties	705,980	-	666,763	4(i)	1,372,743
Convertible promissory note payable	-	-	4,000,000	4(a)	4,000,000
SBA Loans	142,514	-	(142,514)	4(i)	-
Warrant liability	-	-	10,356,405	4(g), 4(h)	10,356,405
Accrued interest, related parties	2,229,713	-	(2,229,713)	4(i)	-
Line of credit, related parties	222,164	-	(222,164)	4(i)	-
Short term notes payable	210,000	-	(210,000)	4(i)	-
Notes payable, related parties, net	5,372,743	-	(5,149,232)	4(i)	223,511
TOTAL CURRENT LIABILITIES	14,827,218	-	7,129,508		21,956,726
NON-CURRENT LIABILITIES					
Senior promissory notes payable, net of debt issuance costs	-	-	10,296,307	4(g)	10,296,307
Contract liabilities	53,782	-	-		53,782
SBA Loans	471,821	-	(8,349)	4(i)	463,472
Operating lease liability	92,889	-	188,613	4(f)	281,502
Finance lease liability	333,771	-	-		333,771
TOTAL NON-CURRENT LIABILITIES	952,263	-	10,476,571		11,428,834
TOTAL LIABILITIES	15,779,481	-	17,606,079		33,385,560
REDEEMABLE PREFERRED STOCK, SERIES C CONVERTIBLE	2,250,000	-	-		2,250,000
REDEEMABLE PREFERRED STOCK, SERIES D CONVERTIBLE	200,000	-	-		200,000
COMMON STOCK	302,119	-	141,275	4(h), 4(i)	443,394
ADDITIONAL PAID-IN CAPITAL	117,326,629	-	16,242,287	4(h), 4(i)	133,568,916
ACCUMULATED DEFICIT	(132,387,124)	-	(1,658,854)	4(i), 4(j)	(134,045,978)
ACCUMULATED OTHER COMPREHENSIVE LOSS	(64,157)	-	-		(64,157)
TOTAL STOCKHOLDERS' DEFICIT	(14,822,533)	-	14,724,708		(97,825)
TOTAL LIABILITIES, MEZZANINE EQUITY AND STOCKHOLDERS' DEFICIT	$ 3,406,948	$ -	$ 32,330,787		$ 35,737,735

See accompanying notes to the unaudited pro forma combined financial statements.

1. **Basis of Presentation**

The Unaudited Pro Forma Financial Statements were prepared in accordance with Article 11 of Regulation S-X to illustrate the pro forma effects of the Transaction. The Company has elected to early adopt the SEC's amendments on May 21, 2020 to the financial disclosure requirements in Regulation S-X for acquisitions and dispositions of businesses in Rules 3-05, 3-14, 8-04, 8-05, 8-06, and Article 11. The Unaudited Pro Forma Financial Statements were prepared in accordance with these amendments. See Note 2, Preliminary purchase price allocation. The Unaudited Pro Forma Combined Statements of Income for the six months ended June 30, 2020 and the year ended December 31, 2019 combine the historical consolidated statements of income of Sanuwave and the historical statements of revenues and direct expenses of UltraMIST for such periods, giving effect to (i) the Transaction as if it had taken place on January 1, 2019 and (ii) the assumptions and adjustments described in the accompanying notes to these Unaudited Pro Forma Financial Statements. The Unaudited Pro Forma Combined Balance Sheet as of June 30, 2020 combines the historical unaudited consolidated balance sheet of Sanuwave and the unaudited statement of assets acquired of UltraMIST as of June 30, 2020, giving effect to (i) the Transaction as if it had taken place on June 30, 2020 and (ii) the assumptions and adjustments described in the accompanying notes to these Unaudited Pro Forma Financial Statements. The pro forma adjustments described in the accompanying notes are (1) directly attributable to the Transaction, (2) factually supportable, and (3) with respect to the Unaudited Pro Forma Combined Statements of Income, expected to have a continuing impact on the combined results of Sanuwave and UltraMIST.

The Unaudited Pro Forma Financial Statements have been prepared using the acquisition method of accounting in accordance with ASC 805, Business Combinations, with Sanuwave treated as the accounting acquirer. As of the date of this Form 8-K/A, Sanuwave has not completed the detailed valuation procedures necessary to finalize the required estimated fair values and estimated lives of the Assets to be acquired, the estimated fair values of the liabilities to be assumed, and the related allocation of the purchase price. The fair values and purchase price allocation contained within these statements are preliminary and are based on management's estimates after initial consultations with valuation personnel and discussions with Celularity's management. The final allocation of the purchase price will be determined after completion of an analysis to determine the estimated fair value of UltraMIST's assets acquired, and associated tax adjustments. Accordingly, the final acquisition accounting adjustments may be materially different from the unaudited pro forma adjustments described in these notes to the Pro Forma Financial Statements.

Sanuwave has historically incurred net operating losses and maintained a full valuation allowance against its deferred tax assets in its historical financial information. Its deferred tax assets consist predominantly of federal and state net operating loss carryforwards. While the Company is undertaking a detailed assessment of the tax impacts of the Transaction as of the date of this Form 8-K/A, the Unaudited Pro Forma Financial Statements have been prepared under the assumption that, following the close of the Transaction, the Company will continue to generate net operating losses and reflect a full valuation allowance against its net deferred tax assets in its historical financial information.

2. **Historical UltraMIST reclassification adjustments**

A reclassification adjustment has been made to conform UltraMIST's financial statement presentation to that of Sanuwave's. Outbound freight costs of $52,000 and $184,000 for the six months ended June 30, 2020 and the for the year ended December 31, 2019, respectively, were presented in UltraMIST's statement of income in cost of goods sold and were adjusted to conform with Sanuwave's presentation of outbound freight costs in selling and marketing operating expenses.

3. **Preliminary purchase price allocation**

The total purchase consideration for the Transaction is $24,000,000, which consists of $18,890,000 of cash paid at closing, $4,000,000 related to a promissory note Sanuwave issued to Celularity (the "Seller Note"), and a previous payment of $1,110,000 pursuant to a letter of intent dated June 7, 2020 between Sanuwave and Celularity.

The following is an estimate of acquired assets of UltraMIST at June 30, 2020, reconciled to the estimated total purchase consideration:

Inventory	$	1,859,965
Property and equipment, net		436,815
Intangible assets, net		14,443,425
Goodwill		7,259,795
Total consideration transferred	**$**	**24,000,000**

This preliminary purchase price allocation has been used to prepare transaction accounting adjustments in the Unaudited Pro Forma Combined Balance Sheet and the Unaudited Pro Forma Combined Statements of Income. 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 Company is still evaluating the income tax effects of the transaction.

The transaction accounting adjustments in the Unaudited Pro Forma Combined Balance Sheet represent the difference between the allocated cost of the identifiable net assets acquired and the historical cost of the net assets acquired. As the Abbreviated Financial Statements are prepared on an abbreviated basis, the Abbreviated Statement of Assets Acquired does not contain equity. Therefore, the historical UltraMIST information and the transaction accounting adjustments on the Unaudited Pro Forma Combined Balance Sheet are necessarily out of balance by offsetting amounts.

4. **Transaction accounting adjustments**

The transaction accounting adjustments are based on the Company's preliminary estimates and assumptions that are subject to change. The following adjustments have been reflected in the Unaudited Pro Forma Financial Statements:

(a) Purchase Consideration

Reflects the adjustments to record cash paid at closing of $18,890,000, the issuance of the Seller Note to Celularity in the principal amount of $4,000,000 and the derecognition of the $1,110,000 deposit pursuant to the letter of intent dated June 7, 2020. The cash payment is reflected as a reduction in cash, the issuance of the Seller Note is reflected as an increase in long-term borrowings and the derecognition of the deposit is reflected as a decrease in deposits in the Unaudited Pro Forma Combined Balance Sheet.

(b) Inventory

Reflects the adjustments to record inventories at their estimated fair value as of the date of the Transaction of $1,859,965 and to eliminate the historical carrying value of inventory of $2,011,127.

(c) Property and Equipment

Reflects the adjustments to record property and equipment at their estimated fair value as of the date of the Transaction of $436,815 and to eliminate the net book value of historical property and equipment of $495,184.

(d) Intangible Assets

Reflects the adjustments to record intangible assets at the estimated fair value of $14,443,425 . The estimated fair value of identifiable intangible assets includes $11,438,100 of customer relationships, $2,311,825 of patents and $693,500 of trade names. The estimated useful lives of patents and trade names are 19 years. The estimated useful life of customer relationships is 7 years.

The estimated fair value of the acquired customer relationships is based on a variation of the income valuation approach and is determined using the multi-period excess earnings method, which is a variation of the discounted cash flow method that quantifies value based on after-tax residual cash flows generated by the intangible asset. Key estimates and assumptions used in this model are projected revenues and expenses related to the asset and a risk-adjusted discount rate used to calculate the present value of the future expected cash inflows from the asset.

The estimated fair value of the acquired trade names and patents is based on a variation of the income valuation approach known as the relief from royalty method, which quantifies the incremental income or cost savings that accrue to the owner of an intangible asset due to the avoidance, or relief from, royalty payments to a third party for the license of the intangible asset if it were not owned. Key estimates and assumptions used in this model are the income stream on which the royalty will be calculated, an appropriate fair royalty rate for the license of the intangible asset and a risk-adjusted discount rate used to calculate the present value of the future expected royalty savings.

The fair value estimate for identified intangible assets is preliminary. The final fair value determination of the identified intangible assets may differ from this preliminary determination, and such differences could be material.

(e) Goodwill

Reflects the adjustments to goodwill arising from the Transaction of $7,259,795. Goodwill is calculated as the difference between the consideration transferred and the fair values assigned to the assets acquired. Goodwill will not be amortized and is not expected to be deductible for income tax purposes.

Total purchase consideration	$	24,000,000
Less: Fair value of net assets acquired		(16,740,205)
Total goodwill	$	7,259,795

(f) Leases

Reflects the adjustments to record the acquired UltraMIST operating leases, including the right-of-use assets of $248,576 in operating lease right-of-use assets, net, current portion of lease liabilities of $59,963 in current portion of lease liabilities, and non-current portion of lease liabilities of $188,613 in operating lease liabilities.

(g) Note and Warrant Purchase and Security Agreement

Reflects the adjustments to record the impact of the Note and Warrant Purchase and Security Agreement (the “NWPSA”) the Company entered into on August 6, 2020 in connection to the Transaction. The NWPSA provides for (i) the sale and purchase of secured notes (the “Notes”) in an aggregate original principal amount of $15,000,000 and (ii) the issuance of warrants equal to 2.0% of the fully-diluted common stock of the Company as of the issue date (the “NH Warrant”). The NH Warrant has an exercise price of $0.01 per share and a 10-year term, and accordingly, are included in pro-forma earnings per share.

The Company received net proceeds from issuing the Notes and NH Warrant of $13,346,547. The Company recorded a liability of $3,050,240 for the fair value of the NH Warrant in the Unaudited Pro Forma Combined Balance Sheet. It recorded a liability for the Notes payable of $10,296,307.

(h) Warrant Liability, Common Stock and Additional Paid-in Capital

Reflects the adjustments to record the impact of the Securities Purchase Agreement (the "Purchase Agreement"). Under the Purchase Agreement, and in connection to the Transaction, on August 6, 2020 the Company issued 123,550,000 shares of Common Stock and accompanying Class E Warrants to purchase up to an additional 123,550,000 shares of Common Stock (the "Warrants") to certain accredited investors for an aggregate purchase price of $0.20 per Private Placement Share and accompanying Warrant. It also issued warrants to a third-party placement agent to purchase up to 9,266,250 shares of Common Stock on the same terms as the Warrants. The Warrants have an exercise price of $0.25 per share and a three year term.

The Private Placement generated net proceeds of approximately $21,000,000. The Private Placement Shares have a par value of $0.001, resulting in an increase to Common Stock of $123,550. Because at the date of issuance the Company did not have a sufficient number of authorized shares to satisfy the Warrants in the event that they were exercised which could cause the net cash settlement of the Warrants, the Company recorded a liability of $7,306,165 for the fair value of the Warrants that were in excess of the available authorized shares in the Unaudited Pro Forma Combined Balance Sheet. The Company recorded the residual amount of $13,758,965 from the net proceeds to additional paid-in capital.

(i) Other Concurrent Transactions

Reflects the adjustments to record the impact of certain other transactions that occurred concurrently with the Transaction and that were necessary to consummate the financing arrangements needed to complete the Transaction (collectively, the “Other Concurrent Transactions”).

The Company entered into a letter agreement (the “HealthTronics Agreement”) with HealthTronics, Inc. (“HealthTronics”), pursuant to which the Company paid off all outstanding debt due and owed to HealthTronics. As consideration for the extinguishment of the debt due and owed to HealthTronics, (i) the Company paid to HealthTronics an amount in cash equal to $4,000,000, (ii) HealthTronics exercised all of its outstanding Class K Warrants to purchase 7,200,000 shares of Common Stock, (iii) the Company issued to HealthTronics a convertible promissory note in the principal amount of $1,372,743 (the “HealthTronics Note”), and (iv) the Company and HealthTronics entered into a Securities Purchase Agreement dated August 6, 2020 (the “HealthTronics Purchase Agreement) pursuant to which the Company issued to HealthTronics an aggregate of 8,275,235 shares of Common Stock and an accompanying warrant to purchase up to an additional 8,275,235 shares of Common Stock (the “HealthTronics Warrant”).

The Company terminated that certain line of credit agreement with A. Michael Stolarski, a member of the Company’s board of directors (the “Stolarski Line of Credit”). As consideration for the termination of the Stolarski Line of Credit, the Company issued to A. Michael Stolarski a convertible promissory note in the principal amount of $223,511 (the “Stolarski Note”).

The Company repaid $1,306,800 owed to LGH Investments, LLC pursuant to that certain promissory note issued by the Company to LGH Investments, (the “LGH Note”). As a result, all obligations of the Company under the LGH Note have been terminated.

The Company issued to George Johnson 1,000,000 shares of Common Stock pursuant to conversion of that certain Short Term Promissory Note issued by the Company to George Johnson dated December 13, 2019 in the principal amount of $110,000. The Company issued to Kerri Johnson 1,250,000 shares of Common Stock pursuant to conversion of that certain Short Term Promissory Note issued by the Company to Kerri Johnson dated December 13, 2019 in the principal amount of $100,000.

The Company repaid $150,863 owed on its Small Business Administration COVID-19 disaster loan (the “SBA Loan”).

The impact of the Other Concurrent Transactions to the Unaudited Pro Forma Combined Balance Sheet is summarized in the table below:

	Other Concurrent Transactions
(Decrease) to Cash and cash equivalents	$ (5,457,663)
Increase to Convertible promissory notes, related parties	666,763
(Decrease) to SBA Loans – Current	(142,514)
(Decrease) to Accrued interest, related parties	(2,229,713)
(Decrease) to Line of credit, related parties	(222,164)
(Decrease) to Short term notes payable	(210,000)
(Decrease) to Notes payable, related parties, net	(5,149,232)
(Decrease) to SBA Loans - Noncurrent	(8,349)
Increase to Common stock	17,725
Increase to Additional paid-in capital	2,483,322
(Decrease) to Accumulated deficit	(663,501)

(j) Transaction Costs

Reflects the adjustments to record an additional $995,353 of Sanuwave transaction costs related to the Transaction that were not previously recorded in the historical financial statements as of June 30, 2020. All of these costs were paid at closing. These costs are recorded as a reduction to retained earnings in the Unaudited Pro Forma Combined Balance Sheet. Additionally, since there is no continuing impact, these costs are not included in the Unaudited Pro Forma Combined Statements of Income.

(k) Interest Expense

Reflects the adjustments to record the recognition of new interest expense and the recognition of amortization expense associated with new debt issuance costs related to the Notes and Seller Note.

	Six Months ended June 30, 2020	Year ended December 31, 2019
Interest expense on the Notes (1)	$ 928,958	$ 1,857,917
Interest expense on the Seller Note	-	480,000
Interest expense on the HealthTronics Note	-	164,729
Interest expense on the Stolarski Note	-	26,821
Amortization of new debt issuance costs related to the Notes	160,012	320,023
Accretion to face value of the Notes	295,185	590,369
Financing adjustment to interest expense	$ 1,384,155	$ 3,439,859

(1) The contractual interest rate for the Notes is defined as (A) the greater of the Prime Rate in effect as of each payment date (i.e. the last day of each quarter), and (y) three percent (3.00%) per annum, plus (B) nine percent (9.00%). The interest expense adjustments included in the Unaudited Pro Forma Combined Statements of Income reflect additional interest expense calculated using the Prime Rate on the date the Transaction was consummated (3.5%), resulting in a 12.5% interest rate.

A 0.125% change in the interest rates used to calculate the interest expense adjustment would have resulted in a $9,479 and $18,958 change to the adjustment in Unaudited Pro Forma Combined Statement of Income for the six months ended June 30, 2020 and the year ended December 31, 2019 respectively.

(l) Depreciation Expense

Reflects the adjustments to record depreciation expense based on the straight-line method of $6,271 and $12,542 for the six months ended June 30, 2020 and for the year ended December 31, 2019, respectively. The depreciation expense reduction is related to the reduction of carrying value to the fair value of the acquired property and equipment with an estimated weighted-average useful life of 4.7 years.

(m) Amortization Expense

Reflects the adjustments to record amortization expense based on the straight-line method of $896,095 and $1,792,189 for the six months ended June 30, 2020 and for the year ended December 31, 2019, respectively. The amortization expense is related to the fair value of the acquired intangible assets. The estimated useful lives of patents and trade names are 19 years. The estimated useful life of customer relationships is 7 years.

(n) License Fee

Reflects the adjustments to record the quarterly license fee paid to Celularity pursuant to the License Agreement of $892,658 and $1,785,317 for the six months ended June 30, 2020 and for the year ended December 31, 2019.

(o) Earnings Per Share

The unaudited pro forma combined basic and diluted earnings per share calculations are based on the unaudited pro forma combined net income of the combined company and the weighted average outstanding shares of Sanuwave for the six months ended June 30, 2020 and for the year ended December 31, 2019. The changes to basic and diluted earnings per share and diluted weighted average shares outstanding reflect the pro forma adjustments shown in the tables below. As the combined company is in a net loss position, any adjustment for potentially dilutive securities would be anti-dilutive, and as such basic and diluted earnings per share are the same.

	Pro Forma Six Months ended June 30, 2020	Pro Forma Year ended December 31, 2019
Net Loss	$ (9,541,039)	$ (15,222,591)
Earnings per share:		
Basic and Diluted	$ (0.02)	$ (0.04)
Weighted average shares outstanding:		
Basic and Diluted	434,498,030	340,229,266

The calculation of pro forma basic and diluted weighted average shares is as follows:

	Pro Forma Six Months ended June 30, 2020	Pro Forma Year ended December 31, 2019
Basic and diluted weighted average shares:		
Sanuwave historical weighted average shares outstanding	297,856,870	203,588,106

NH Warrants – Note 4(g)	13,091,160	13,091,160
Shares issued in connection with the Securities Purchase Agreement - Note 4(h)	123,550,000	123,550,000
Pro forma weighted average shares	434,498,030	340,229,266