MFS HIGH YIELD MUNICIPAL TRUST
Form 3
July 05, 2007

FORM 3

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

OMB APPROVAL	
OMB Number:	3235-0104
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

INITIAL STATEMENT OF BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Â MANNING ROBERT J
(Last) (First) (Middle)

MFS INVESTMENT MANAGEMENT,Â 500 BOYLSTON STREET
(Street)

BOSTON,Â MAÂ 02116
(City) (State) (Zip)

2. Date of Event Requiring Statement (Month/Day/Year)
06/29/2007

3. Issuer Name **and** Ticker or Trading Symbol
MFS HIGH YIELD MUNICIPAL TRUST [CMV]

4. Relationship of Reporting Person(s) to Issuer
(Check all applicable)
__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

5. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Beneficially Owned

1.Title of Security (Instr. 4)	2. Amount of Securities Beneficially Owned (Instr. 4)	3. Ownership Form: Direct (D) or Indirect (I) (Instr. 5)	4. Nature of Indirect Beneficial Ownership (Instr. 5)

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

SEC 1473 (7-02)

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

Table II - Derivative Securities Beneficially Owned (*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 4)	2. Date Exercisable and Expiration Date (Month/Day/Year)		3. Title and Amount of Securities Underlying Derivative Security (Instr. 4)		4. Conversion or Exercise Price of Derivative Security	5. Ownership Form of Derivative Security: Direct (D)	6. Nature of Indirect Beneficial Ownership (Instr. 5)
	Date Exercisable	Expiration Date	Title	Amount or Number of			

Shares or Indirect (I) (Instr. 5)

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
MANNING ROBERT J MFS INVESTMENT MANAGEMENT 500 BOYLSTON STREET BOSTON,Â MAÂ 02116	Â X	Â	Â	Â

Signatures

Susan S. Newton, By Power of Attorney	07/05/2007
**Signature of Reporting Person	Date

Explanation of Responses:

No securities are beneficially owned

* If the form is filed by more than one reporting person, *see* Instruction 5(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *See* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. ight: bold; font-family: Times New Roman; font-size: 13px"> Properties

Our operations, production and research and development office is in a leased facility in Suwanee, Georgia, consisting of 7,500 square feet of space. Under the terms of the lease, we pay monthly rent of $10,844, as adjusted on an annual basis for additional proportionate operating and insurance costs associated with the building over the base amount. The term of the lease is 65 months.

Legal Proceedings

We are engaged in various legal actions, claims and proceedings arising in the ordinary course of business, including claims related to breach of contracts and intellectual property matters resulting from our business activities. As with most actions such as these, an estimation of any possible and/or ultimate liability cannot always be determined.

There are no material proceedings known to us to be contemplated by any governmental authority.

There are no material proceedings known to us, pending or contemplated, in which any of our directors, officers or affiliates or any of our principal security holders, or any associate of any of the foregoing, is a party or has an interest adverse to us.

MANAGEMENT, EXECUTIVE COMPENSATION AND CORPORATE GOVERNANCE

Below are the names and certain information regarding the Companys executive officers and directors.

Name	Age	Position Held
Kevin A. Richardson, II	49	Director, Chairman and Acting Chief Executive Officer

Lisa E. Sundstrom	48	Chief Financial Officer
Peter Stegagno	58	Vice President, Operations
Iulian Cioanta, PhD	55	Vice President, Research and Development
John F. Nemelka	52	Director
Alan L. Rubino	63	Director
A. Michael Stolarski	47	Director
Maj-Britt Kaltoft	54	Director

Kevin A. Richardson, II joined the Company as chairman of the board of directors in October of 2009 and joined SANUWAVE, Inc. as chairman of the board of directors in August of 2005. In November 2012, upon the resignation of the Companys former President and Chief Executive Officer, Christopher M. Cashman, Mr. Richardson assumed the role of Active Chief Executive Officer, in addition to remaining Chairman of the Board, through the hiring of Mr. Chiarelli in February 2013. In April 2014, Mr. Richardson assumed the role of Co-Chief Executive Officer. When Mr. Chiarelli departed the Company in 2014, Mr. Richardson again assumed the role as Acting Chief Executive Officer. Mr. Richardson brings to our board of directors a broad array of financial knowledge for healthcare and other industries. Since 2004, Mr. Richardson served as managing partner of Prides Capital LLC, an investment management firm, until its liquidation in September 2015.

Lisa E. Sundstrom joined the Company as Controller in October of 2006, and in August of 2015, assumed the responsibilities of Interim Chief Financial Officer. In December 2015, Ms. Sundstrom was promoted to Chief Financial Officer. Ms. Sundstrom has extensive financial accounting experience with Automatic Data Processing (ADP) and Mitsubishi Consumer Electronics. She began her career with a small public accounting firm, Carnevale & Co., P.C., was Senior Accountant at Mitsubishi Consumer Electronics responsible for the close process and was Accounting Manager for the Benefit Services division of ADP and assisted in the documentation of internal controls for Sarbanes-Oxley compliance. Ms. Sundstrom holds a Bachelor of Science in Accounting from the State University of New York at Geneseo.

Explanation of Responses:

Peter Stegagno joined the Company as Vice President, Operations in March 2006. Mr. Stegagno brings to the Company sixteen years experience in the medical device market encompassing manufacturing, design and development, quality assurance and international and domestic regulatory affairs. He most recently served as Vice President of Quality and Regulatory Affairs for Elekta, and other medical device companies including Genzyme Biosurgery. Before focusing on the medical field, Mr. Stegagno enjoyed a successful career encompassing production roles in the space industry, including avionics guidance systems for military applications and control computers for the space shuttle. Mr. Stegagno graduated from Tufts University with a Bachelor of Science degree in Chemical Engineering.

Iulian Cioanta, PhD joined the Company in June 2007 as Vice President of Research and Development. Dr. Cioanta most recently served as Business Unit Manager with Cordis Endovascular, a Johnson & Johnson company. Prior to that, Dr. Cioanta worked as Director of Development Engineering with Kensey Nash Corporation, Research Manager at AgroMed Inc. and Project Manager and Scientist with the Institute for the Design of Research Apparatus. Dr. Cioanta also worked in academia at Polytechnic University of Bucharest in Romania, Leicester University in the United Kingdom and Duke University in the United States. Dr. Cioanta received a Master of Science degree in Mechanical Engineering and Technology form the Polytechnic University of Bucharest and he earned his PhD degree in Biomedical Engineering from Duke University in the field of extracorporeal shock wave lithotripsy.

John F. Nemelka joined the Company as a member of the board of directors in October of 2009 and joined SANUWAVE, Inc. as a member of the board of directors in August of 2005. Mr. Nemelka founded NightWatch Capital Group, LLC, an investment management business, and served as its Managing Principal since its incorporation in July 2001 until its liquidation in December 2015. From 1997 to 2000, he was aPrincipal at Graham Partners, a private investment firm and affiliate of the privately-held Graham Group. From 2000 to 2001, Mr. Nemelka was a Consultant to the Graham Group. Mr. Nemelka brings to our board of directors a diverse background with both financial and operations experience. He holds a B.S. degree in Business Administration from Brigham Young University and an M.B.A. degree from the Wharton School at the University of Pennsylvania.

Alan L. Rubino joined the Company as a member of the board of directors in September of 2013. Mr. Rubino has served as President and Chief Executive Officer of Emisphere Technologies, Inc. since September, 2012. Previously, Mr. Rubino served as the CEO and President of New American Therapeutics, Inc., CEO and President of Akrimax Pharmaceuticals, LLC., and President and COO of Pharmos Corporation. Mr. Rubino has continued to expand upon a highly successful and distinguished career that included Hoffmann-La Roche Inc. where he was a member of the U.S. Executive and Operating Committees and a Securities and Exchange Commission (SEC) corporate officer. During his Roche tenure, he held key executive positions in marketing, sales, business operations, supply chain and human resource management, and was assigned executive committee roles in marketing, project management, and globalization. Mr. Rubino also held senior executive positions at PDI, Inc. and Cardinal Health. He holds a BA in economics from Rutgers University with a minor in biology/chemistry and completed post-graduate educational programs at the University of Lausanne and Harvard Business School. Mr. Rubino serves on the boards of Aastrom Biosciences, Inc. and Genisphere, LLC and is also on the Rutgers University Business School Board of Advisors.

A. Michael Stolarski joined the Company as a member of the board of directors in April 2016. Mr. Stolarski founded Premier Shockwave, Inc. in October 2008 and has since served as its President & CEO. From 2005 to 2008, Mr. Stolarski was the Vice President of Business Development and, previously, Acting CFO of SANUWAVE, Inc. From 2001 to 2005, he was the President Orthopaedic Division and Vice President of Finance for HealthTronics Surgical Services, Inc. From 1994 to 2001, he was the CFO and Controller of the Lithotripsy Division, Internal Auditor, and Paralegal of Integrated Health Services, Inc. Mr. Stolarski brings to our board an in-depth understanding of the orthopaedic and podiatric shockwave market. In addition to being a Certified Public Accountant in the state of Maryland (inactive), he holds a M.S. in Finance from Loyola College, Baltimore a B.S. in Accounting and a B.S. in Finance from the University of Maryland, College Park.

Dr. Maj-Britt Kaltoft joined the Company as a member of the board of directors in June 2017. Since January 2017, Dr. Kaltoft heads the business development and patent functions at the Danish State Serum Institute, an institution under the Danish Ministry of Health. From 2011 to 2016, she was the Vice President Corporate Alliance Management, Licensing Director and Business Development with Novo Nordisk headquartered in Bagsvaerd, Denmark. She has obtained outstanding results in the areas of business development, licensing and alliance management in the pharmaceutical and biotech industry at Lundbeck, Nycomed, and EffRx. Dr. Kaltoft brings 20 years of international specialization in development and successful execution of business development strategies, contractual structures and alliance management within all sectors of the life science industry.

55

Explanation of Responses:

Summary Compensation Table for Fiscal Years 2017 and 2016

The following table provides certain information concerning compensation earned for services rendered in all capacities by our named executive officers during the fiscal years ended December 31, 2017 and 2016.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)(3)	Total ($)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Kevin A. Richardson, II Chairman of the Board and Acting Chief Executive Officer (principal executive officer)	2017	$120,000(1)	-	$130882(2)	-	-	-	-	$234,021
	2016	$120,000(1)	-	$114,021(2)	-	-	-	-	$250,882
Lisa E. Sundstrom Chief Financial Officer (principal financial officer)	2017	$115,000	-	$88,352(2)	-	-	-	$12,652	$216,004
	2016	$115,000	-	$81,444(2)	-	-	-	$13,284	$209,728
Peter Stegano Vice President, Operations	2017	$200,000	-	$88,352(2)	-	-	-	$13,498	$301,850
	2016	$200,000	-	$81,444(2)	-	-	-	$13,339	$294,783
Iulian Cioanta Vice President, Research and Development	2017	$200,000	-	$88,352(2)	-	-	-	$19,583	$307,935
	2016	$200,000	-	$81,444(2)	-	-	-	$19,892	$301,336

(1) Mr. Richardson has been the Company's Chairman of the Board since the Company's inception. Since 2014, Mr. Richardson has also been our Acting Chief Executive Officer. We continue to compensate Mr. Richardson as a director as described in "Discussion of Director Compensation" below, however we pay him an additional $10,000 per month in recognition of his additional role as Acting Chief Executive Officer.
(2) This dollar amount reflects the full fair value of the grant at the date of issuance and is recognized for financial statement reporting purposes with respect to each fiscal year over the vesting terms in accordance with ASC 718-10.
(3) Includes health, dental,

life and
disability
insurance
premiums and
401(k)
matching
contributions.

56

Explanation of Responses:

Stock Incentive Plan

On October 24, 2006, SANUWAVE, Inc.s board of directors adopted the 2006 Stock Incentive Plan of SANUWAVE, Inc. (the “2006 Plan”). On November 1, 2010, the Company approved the Amended and Restated 2006 Stock Incentive Plan of SANUWAVE Health, Inc. effective as of January 1, 2010 (previously defined as the “Stock Incentive Plan”). The Stock Incentive Plan permits grants of awards to selected employees, directors and advisors of the Company in the form of restricted stock or options to purchase shares of common stock. Options granted may include nonstatutory options as well as qualified incentive stock options. The Stock Incentive Plan is currently administered by the board of directors of the Company. The Stock Incentive Plan gives broad powers to the board of directors of the Company to administer and interpret the particular form and conditions of each option. The stock options granted under the Stock Incentive Plan are nonstatutory options which vest over a period of up to three years, and have a maximum ten year term. The options are granted at an exercise price equal to the fair market value of the common stock on the date of the grant which is approved by the board of directors of the Company. The Stock Incentive Plan had 22,500,000 shares of common stock reserved for grant at December 31,2017 and 2016.

The terms of the options granted under the Stock Incentive Plan expire as determined by individual option agreements (or on the tenth anniversary of the grant date), unless terminated earlier on the first to occur of the following: (1) the date on which the participants service with the Company is terminated by the Company for cause; (2) 60 days after the participants death; or (3) 60 days after the termination of the participants service with the Company for any reason other than cause or the participants death; provided that, if during any part of such 60 day period the option is not exercisable solely because of specified securities law restrictions, the option will not expire until the earlier of the expiration date or until it has been exercisable for an aggregate period of 60 days after the termination of the participants service with the Company. The options vest as provided for in each individuals option agreement and the exercise prices for the options are determined by the board of directors at the time the option is granted; provided that the exercise price shall in no event be less than the fair market value per share of the Companys Common Stock on the grant date. In the event of any change in the Common Stock underlying the options, by reason of any merger or exchange of shares of common stock, the board of directors shall make such substitution or adjustment as it deems to be equitable to (1) the class and number of shares underlying such option, (2) the exercise price applicable to such option, or (3) any other affected terms of such option.

In the event of a change of control, unless specifically modified by an individual option agreement: (1) all options outstanding as of the date of such change of control will become fully vested; and (2) notwithstanding (1) above, in the event of a merger or share exchange, the board of directors may, in its sole discretion, determine that any or all options granted pursuant to the Stock Incentive Plan will not vest on an accelerated basis if the board of directors, the surviving corporation or the acquiring corporation, as the case may be, has taken such action as in the opinion of the board of directors is equitable or appropriate to protect the rights and interests of the participants under the Stock Incentive Plan.

On December 31, 2017, there were 2,238,281 shares of common stock available for grant under the Stock Incentive Plan. For the years ended December 31, 2017 and 2016, there were 2,700,000 and 4,067,800 options, respectively, granted to the Companys executive officers under the Stock Incentive Plan.

Explanation of Responses:

Outstanding Equity Awards at 2017 Fiscal Year End

The following table provides certain information concerning the outstanding equity awards for each named executive officer as of December 31, 2017.

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options/ Warrants (#) Exercisable	Number of Securities Underlying Unexercised Options/ Warrants (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option/ Warrant Exercise Price ($)	Option/ Warrant Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equi Incen Awa Mark Payo of U Shar or O Righ Have Vest
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Kevin A. Richardson, II	115,000(1)	-	-	$0.35	02/21/2023	-	-	-	
Chairman of the Board and Co-Chief Executive Officer (principal executive officer)	452,381(3)	-	-	$0.11	10/1/2025	-	-	-	
	297,619(3)	-	-	$0.06	10/1/2025	-	-	-	
	700,000(4)	-	-	$0.04	6/16/2026	-	-	-	
	594,300(5)	-	-	$0.18	11/9/2026	-	-	-	
	900,000(6)	-	-	$0.11	6/14/2027	-	-	-	
	640,000(7)	-	-	$0.11	3/17/2019	-	-	-	
Lisa Sundstrom	65,000(1)	-	-	$0.35	02/21/2023	-	-	-	
Chief Finanical Officer (principal executive officer)	25,000(2)	-	-	$0.55	5/7/2024	-	-	-	
	301,587(3)	-	-	$0.11	10/1/2025	-	-	-	
	198,413(3)	-	-	$0.06	10/1/2025	-	-	-	
	500,000(4)	-	-	$0.04	6/16/2026	-	-	-	
	424,500(5)	-	-	$0.18	11/9/2026	-	-	-	
	600,000(6)	-	-	$0.11	6/14/2027	-	-	-	
	440,000(7)	-	-	$0.11	3/17/2019	-	-	-	
Peter Stegano	333,644(1)	-	-	$0.35	02/21/2023	-	-	-	
	50,000(2)	-	-	$0.55	5/7/2024	-	-	-	

Vice President, Operations								
	301,587(3)	-	-	$0.11	10/1/2025	-	-	-
	198,413(3)	-	-	$0.06	10/1/2025	-	-	-
	500,000(4)	-	-	$0.04	6/16/2026	-	-	-
	424,500(5)	-	-	$0.18	11/9/2026	-	-	-
	600,000(6)	-	-	$0.11	6/14/2027	-	-	-
	440,000(7)	-	-	$0.11	3/17/2019	-	-	-
Iulian Cioanta	296,241(1)	-	-	$0.35	02/21/2023	-	-	-
Vice President, Research and Development	50,000(2)	-	-	$0.55	5/7/2024	-	-	-
	301,587(3)	-	-	$0.11	10/1/2025	-	-	-
	198,413(3)	-	-	$0.06	10/1/2025	-	-	-
	500,000(4)	-	-	$0.04	6/16/2026	-	-	-
	424,500(5)	-	-	$0.18	11/9/2026	-	-	-
	600,000(6)	-	-	$0.11	6/14/2027	-	-	-
	440,000(7)	-	-	$0.11	3/17/2019	-	-	-

(1) On February 21, 2013, the Company, by mutual agreement with all active employees and directors of the Company, cancelled options granted to the active employees and directors in the year ended December 31, 2011 and prior. In exchange for these options, the active employees and directors received new options to purchase shares of common stock at an exercise price of $0.35 per share. The Company cancelled all options which were previously granted to Mr. Richardson, Ms. Sundstrom, Mr. Stegagno and Mr. Cioanta. The Company granted Mr. Richardson 115,000 options, Ms. Sundstrom 65,000 options, Mr. Stegagno 333,644 options and Mr. Cioanta 296,241 options on February 21, 2013 which vests one-third at grant date, one-third on February 21, 2014 and one-third on February 21, 2015.

(2) The Company granted Ms. Sundstrom 25,000 options, Mr. Stegagno 50,000 options and Mr. Cioanta 50,000 options on May 7, 2014 which vests one-third at grant date, one-third on May 7, 2015 and one-third on May 7, 2016.

(3) The Company granted Mr. Richardson 750,000 options, Ms. Sundstrom 500,000 options, Mr. Stegagno 500,000 options and Mr. Cioanta 500,000 options on October 1, 2015 which vests at grant date.

(4) The Company granted Mr. Richardson 700,000 options, Ms. Sundstrom 500,000 options, Mr. Stegagno 500,000 options and Mr. Cioanta 500,000 options on June 16, 2016 which vests at grant date.

(5) The Company granted Mr. Richardson 594,300 options, Ms. Sundstrom 424,500 options, Mr. Stegagno 424,500 options and Mr. Cioanta 424,500 options on November 9, 2016 which vests at grant date.

(6) The Company granted Mr. Richardson 900,000 options, Ms. Sundstrom 600,000 options, Mr. Stegagno 600,000 options and Mr. Cioanta 600,000 options on June 15, 2017 which vests at grant date.

(7) The Company granted Mr. Richardson 640,000 warrants, Ms. Sundstrom 440,000 warrants, Mr. Stegagno 440,000 warrants and Mr. Cioanta 440,000 warrants on Deccember 11, 2017 which vests at grant date.

Explanation of Responses:

Director Compensation Table for Fiscal 2017

The following table provides certain information concerning compensation for each director during the fiscal year ended December 31, 2017.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)	Non Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Kevin A. Richardson, II (1)	$24,000	-	$130,882	-	-	-	$154,882
John F. Nemelka	$24,000	-	$42,530	-	-	-	$66,530
Alan L. Rubino	$24,000	-	$42,530	-	-	-	$66,530
A. Michael Stolarski	$24,000	-	$42,530	-	-	-	$66,530
Maj-Britt Kaltoft	$13,000	-	$42,530	-	-	-	$55,530

(1) Mr. Richardson has been the Company's Chairman of the Board since the Company's inception. Since 2014, Mr. Richardson has also been our Acting Chief Executive Officer. We continue to

compensate Mr. Richardson as a director as described in "Discussion of Director Compensation" below, however we pay him an additional $10,000 per month in recognition of his additional role as Acting Chief Executive Officer.

The following are the aggregate number of option awards outstanding that have been granted to each of our non-employee directors as of December 31, 2017: Kevin A. Richardson, II 3,059,300; John F. Nemelka 1,034,800;Alan L. Rubino 1,019,800; A. Michael Stolarski 669,800 and Maj-Britt Kaltoft 300,000.

59

Explanation of Responses:

Discussion of Director Compensation

Effective January 1, 2017, the Company began to compensate its three outside directors at an annual rate of $24,000 each. On June 15, 2017, the Company issued 900,000 options to purchase the Companys common stock at $0.11 per share to non-employee director Kevin A. Richardson II and the Company issued 300,000 to purchase the Companys common stock at $0.11 per share to non-employee directors John F. Nemelka, Alan L. Rubino, A. Michael Stolarski and Maj-Britt Kaltoft. On November 9, 2016, the Company issued 594,300 options to purchase the Companys common stock at $0.18 per share to non-employee director Kevin A. Richardson II and the Company issued 169,800 to purchase the Companys common stock at $0.18 per share to non-employee directors John F. Nemelka, Alan L. Rubino and A. Michael Stolarski. On June 16, 2016, the Company issued 700,000 options to purchase the Companys common stock at $0.04 per share to non-employee director Kevin A. Richardson II and the Company issued 200,000 to purchase the Companys common stock at $0.04 per share to non-employee directors John F. Nemelka, Alan L. Rubino and A. Michael Stolarski. On October 1, 2015, the Company issued 452,381 options to purchase the Companys common stock at $0.11 per share and 297,619 options to purchase the Companys common stock at $0.50 per share to non-employee director Kevin A. Richardson II and the Company issued 150,795 options to purchase the Companys common stock at $0.11 per share and 99,205 options to purchase the Companys common stock at $0.50 per share to non-employee directors John F. Nemelka and Alan L. Rubino. On September 3, 2013, the Company issued 100,000 options to purchase the Companys common stock at $0.65 per share to non-employee director Alan L. Rubino. On February 21, 2013, the Company, by mutual agreement with all the active employees and directors of the Company, cancelled options granted to the active employees and directors in the year ended December 31, 2011 and prior. In exchange for these options, the active employees and directors received new options to purchase shares of common stock at an exercise price of $0.35 per share. Kevin A. Richardson, II, and John F. Nemelka, each cancelled 15,000 options and were each issued 115,000 options at an exercise price of $0.35 per share.

Committee Interlocks and Insider Participation

The Compensation Committee is comprised of Alan L. Rubino, Kevin A. Richardson, II, A. Michael Stolarski and Maj-Britt Kaltoft. Mr. Richardson and Mr. Stolarski have had certain relationships and related party transactions described further in the section entitled “Certain Relationships and Related TransactionsRelated Party Transactions.” During 2017, none of our executive officers served as a director or member of a compensation committee (or other committee serving an equivalent function) of any other entity whose executive officers served as a director or member of the Compensation Committee.

CORPORATE GOVERNANCE AND BOARD MATTERS

The Company adopted a formal Corporate Governance policy in January 2012 which included establishing formal board committees and a code of conduct for the board of directors and the Company.

The Board of Directors

Recent Developments

The Companys current board of directors consists of five members, two of whom have been determined by the board to be “independent” as defined under the rules of the NASDAQ stock market. The Company expects to add additional independent directors in 2018.

Boards Leadership Structure

The Companys board of directors elects the Companys chief executive officer and its chairman, and each of these positions may be held by the same person or may be held by two persons. The chairmans primary responsibilities are to manage the board and serve as the primary liaison between the board of directors and the chief executive officer, while the primary responsibility of the chief executive officer is to manage the day-to-day affairs of the Company, taking into account the policies and directions of the board of directors. Such an arrangement promotes more open and robust communication among the board, and provides an efficient decision making process with proper independent oversight. The Companys board of directors has determined that it is currently in the best interest of the Company and its shareholders to combine the roles of chairman of the board and chief executive officer.

The Company believes, however, that there is no single leadership structure that is the best and most effective in all circumstances and at all times. Accordingly, the board of directors retains the authority to later combine these roles if doing so would be in the best interests of the Company and its shareholders.

60

Explanation of Responses:

The Companys board of directors is authorized to have an audit committee, a compensation committee and a nominating and corporate governance committee, to assist the Companys board of directors in discharging its responsibilities. The Companys current board of directors consists of five members, two of whom has been determined by the board to be “independent” as defined under the rules of the NASDAQ stock market. The board of directors has determined that Mr. Richardson, Mr. Nemelka and Mr. Stolarski are not independent under the applicable marketplace rules of the NASDAQ stock market and Rule 10A-3 under the Exchange Act. The Company expects to add additional independent directors in 2018

Boards Role in Risk Oversight

While the Companys management is responsible for the day-to-day management of risk to the Company, the board of directors has broad oversight responsibility for the Companys risk management programs. The various committees of the board of directors assist the board of directors in fulfilling its oversight responsibilities in certain areas of risk. In particular, the audit committee focuses on financial and enterprise risk exposures, including internal controls, and discusses with management and the Companys independent registered public accountants the Companys policies with respect to risk assessment and risk management. The compensation committee is responsible for considering those risks that may be implicated by the Companys compensation programs and reviews those risks with the Companys board of directors and chief executive officer.

Audit Committee

The current members of the Companys audit committee are John F. Nemelka (Chairperson), Kevin A. Richardson, II, and A. Michael Stolarski. Mr. Nemelka, who chairs the committee, has been determined by the board of directors to be an audit committee financial expert as defined pursuant to the rules of the SEC. Pursuant to the Companys Audit Committee Charter, the audit committee is required to consist of at least two independent directors. The Company expects to add additional independent directors to the board of directors in 2018.

The audit committee operates under a written charter adopted by the board of directors which is available on the Companys website at www.sanuwave.com. The primary responsibility of the audit committee is to oversee the Companys financial reporting process on behalf of the board of directors. Among other things, the audit committee is responsible for overseeing the Companys accounting and financial reporting processes and audits of the Companys financial statements, reviewing and discussing with the independent auditors the critical accounting policies and practices for the Company, engaging in discussions with management and the independent auditors to assess risk for the Company and management thereof, and reviewing with management the effectiveness of the Companys internal controls and disclosure controls and procedures. The audit committee is directly responsible for the appointment, compensation, retention and oversight of the work of the Companys independent auditors, currently Cherry Bekaert, LLP, including the resolution of disagreements, if any, between management and the auditors regarding financial reporting. In addition, the audit committee is responsible for reviewing and approving any related party transaction that is required to be disclosed pursuant to Item 404 of Regulation S-K promulgated under the Exchange Act.

Compensation Committee

The current members of the Companys compensation committee are Alan L. Rubino (Chairperson), Kevin A. Richardson II, A. Michael Stolarski and Maj-Britt Kaltoft. The primary purpose of the compensation committee is to discharge the responsibilities of the board of directors relating to compensation of the Companys executive officers. Pursuant to the Companys Compensation Committee Charter, the compensation committee is required to consist of at least two independent directors. The Company expects to add additional independent directors to the board of directors in 2018.

The compensation committee operates under a written charter adopted by the board of directors which is available on the Companys website at www.sanuwave.com. Specific responsibilities of the compensation committee include reviewing and recommending approval of compensation of the Companys named executive officers, administering the Companys stock incentive plan, and reviewing and making recommendations to the Companys board of directors with respect to incentive compensation and equity plans.

Nominating and Corporate Governance Committee

The current members of the Companys nominating and corporate governance committee are Maj-Britt Kaltoft (Chairperson), Kevin A. Richardson, II, John F. Nemelka, and Alan L. Rubino. Pursuant to the Companys Nominating and Corporate Governance Committee Charter, the nominating and corporate governance committee is required to consist of at least two independent directors. The Company expects to add additional independent directors to the board of directors in 2018.

61

Explanation of Responses:

The nominating and corporate governance committee operates under a written charter adopted by the board of directors which is available on the Companys website at www.sanuwave.com. Specific responsibilities of the nominating and corporate governance committee include: identifying and recommending nominees for election to the Companys board of directors; developing and recommending to the board of directors the Companys corporate governance principles; overseeing the evaluation of the board of directors; and reviewing and approving compensation for non-employee members of the board of directors.

The nominating and corporate governance committees charter outlines how the nominating and corporate governance committee fulfills its responsibilities for assessing the qualifications and effectiveness of the current board members, assessing the needs for future board members, identifying individuals qualified to become members of the board and its committees, and recommending candidates for the board of directors selection as director nominees for election at the next annual or other properly convened meeting of shareholders.

The nominating and corporate governance committee considers director candidates recommended by shareholders for nomination for election to the board of directors. The committee applies the same standards in considering director candidates recommended by the shareholders as it applies to other candidates. Any shareholder entitled to vote for the election of directors may recommend a person or persons for consideration by the committee for nomination for election to the board of directors. The Company must receive written notice of such shareholders recommended nominees(s) no later than January 31st of the year in which the shareholder wishes such recommendation to be considered by the committee in connection with the next meeting of shareholders at which the election of directors will be held. To submit a recommendation, a shareholder must give timely notice thereof in writing to the Secretary of the Company. A shareholders notice to the Secretary shall set forth: (i) the name and record address of the shareholder making such recommendation and any other shareholders known by such shareholder to be supporting such recommendation; (ii) the class and number of shares of the Company which are beneficially owned by the shareholder and by any other shareholders known by such shareholder to be supporting such recommendation; (iii) the name, age and five year employment history of such recommended nominee; (iv) the reasons why the shareholder believes the recommended nominee meets the qualifications to serve as a director of the Company; and (v) any material or financial interest of the shareholder and, if known, the recommended nominee in the Company.

Shareholder Communications with the Board of Directors

The board of directors has implemented a process for shareholders to send communications to the board of directors. Shareholders who wish to communicate directly with the board of directors or any particular director should deliver any such communications in writing to the Secretary of the Company. The Secretary will compile any communications they receive from shareholders and deliver them periodically to the board of directors or the specific directors requested. The Secretary of the Company will not screen or edit such communications, but will deliver them in the form received from the shareholder.

Code of Conduct and Ethics

It is the Companys policy to conduct its affairs in accordance with all applicable laws, rules and regulations of the jurisdictions in which it does business. The Company has adopted a code of business conduct and ethics with policies and procedures that apply to all associates (all employees are encompassed by this term, including associates who are officers) and directors, including the chief executive officer, chief financial officer, controller, and persons performing similar functions.

The Company has made the code of business conduct and ethics available on its website at www.sanuwave.com. If any substantive amendments to the code of business conduct and ethics are made or any waivers are granted, including any implicit waiver, the Company will disclose the nature of such amendment or waiver on its website or in a report on Form 8-K.

No Family Relationships Among Directors and Officers

There are no family relationships between any director or executive officer of the Company and any other director or executive officer of the Company.

Director Independence

Our board of directors has determined that Alan L. Rubino and Dr. Maj-Britt Kaltoft qualify as independent directors based on the NASDAQ Stock Market definition of “independent director.”

62

Explanation of Responses:

Limitation of Directors Liability and Indemnification

The Nevada Revised Statutes authorize corporations to limit or eliminate, subject to certain conditions, the personal liability of directors to corporations and their stockholders for monetary damages for breach of their fiduciary duties. Our certificate of incorporation limits the liability of our directors to the fullest extent permitted by Nevada law.

We have director and officer liability insurance to cover liabilities our directors and officers may incur in connection with their services to us, including matters arising under the Securities Act of 1933, as amended. Our certificate of incorporation and bylaws also provide that we will indemnify our directors and officers who, by reason of the fact that he or she is one of our officers or directors, is involved in a legal proceeding of any nature.

There is no pending litigation or proceeding involving any of our directors, officers, employees or agents in which indemnification will be required or permitted. We are not aware of any threatened litigation or proceeding that may result in a claim for such indemnification.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors and executive officers, and persons who own more than 10% of our equity securities which are registered pursuant to Section 12 of the Exchange Act, to file with the SEC initial reports of ownership and reports of changes in ownership of our equity securities. Officers, directors and greater than 10% shareholders are required by SEC regulations to furnish us with copies of all Section 16(a) reports they file.

Based solely upon a review of the Forms 3, 4 and 5 (and amendments thereto) furnished to us for our fiscal year ended December 31, 2017, we have determined that our directors, officers and greater than 10% beneficial owners complied with all applicable Section 16 filing requirements.

Disclosure of Commission Position on Indemnification of Securities Act Liabilities

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

Explanation of Responses:

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information, as of May 21, 2018, with respect to the beneficial ownership of the Company's outstanding Common Stock by (i) any holder of more than five percent (5.0%), (ii) each of the Company's executive officers and directors, and (iii) the Company's directors and executive officers as a group.

Name of Beneficial Owner (1)	Number of Shares Beneficially Owned	Percent of Shares Outstanding (2)
A. Michael Stolarski (3)	16,439,333	10.6%
Kevin A. Richardson II (4)	12,549,870	8.3%
Peter Stegagno (5)	3,511,780	2.4%
Iulian Cioanta (6)	2,826,146	2.0%
Lisa E. Sundstrom (7)	2,554,500	1.8%
John F. Nemelka (8)	1,246,055	0.9%
Alan Rubino (9)	1,219,800	0.9%
Maj-Britt Kaltoft (10)	500,000	0.4%
All directors and executive officers as a group (8 persons)	40,847,484	27.2%
5% Beneficial Owner:		
Jerome Gildner (11)	13,333,334	9.0%
John McDermott (11)	12,575,756	8.5%
James McGraw (11)	11,610,694	7.8%

(1) Unless otherwise noted, each beneficial owner has the same address as us.
(2) Applicable percentage ownership is based on 151,378,374 shares of common stock outstanding as of May 21, 2018, "Beneficial ownership" includes shares for which an individual, directly or indirectly, has or shares voting or investment power, or both, and also includes options that are exercisable within 60 days of May 21, 2018. Unless otherwise indicated, all of the listed persons have sole voting and investment power over the shares listed opposite their names. Beneficial ownership as reported in the above table has been determined in accordance with Rule 13d-3 of the Exchange Act.
(3) Includes options to purchase up to 669,800 shares of common stock, warrants to purchase up to 7,499,452 shares of common stock and 4,545,455 common shares available upon conversion of convertible promissory note.
(4) Includes options to purchase up to 3,059,300 shares of common stock, warrants to purchase up to 3,222,583 shares of common stock and 2,363,636 common shares available upon conversion of convertible promissory note. In addition, this amount includes 138,782 shares of common stock owned directly by Prides Capital Fund I, L.P. Prides Capital Partners LLC is the general partner of Prides Capital Fund I, L.P. and Mr. Richardson is the controlling shareholder of Prides Capital Partners LLC; therefore, under certain provisions of the Exchange Act, he may be deemed to be the beneficial owner of such securities. Mr. Richardson has also been deputized by Prides Capital Partners LLC to serve on the board of directors of the Company. Mr. Richardson disclaims beneficial ownership of all such securities except to the extent of any indirect pecuniary interest (within the meaning of Rule 16a-1 of the Exchange Act) therein.
(5) Consists of options to purchase up to 2,408,144 shares of common stock, warrants to purchase up to 771,818 shares of common stock and 331,818 common shares available upon conversion of convertible promissory note.

(6) Consists of options to purchase up to 2,370,741 shares of common stock and warrants to purchase up to 440,000 shares of common stock.
(7) Consists of options to purchase up to 2,114,500 shares of common stock and warrants to purchase up to 440,000 shares of common stock.
(8) Includes options to purchase up to 1,034,800 shares of common stock and warrants to purchase up to 200,000 shares of common stock.
(9) Includes options to purchase up to 1,019,800 shares of common stock and warrants to purchase up to 200,000 shares of common stock.
(10) Includes options to purchase up to 300,000 shares of common stock and warrants to purchase up to 200,000 shares of common stock.
(11) Based on records of the Company.

64

Explanation of Responses:

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Related Party Transactions

Other than as described below, since January 1, 2017, there have been no transactions with related persons required to be disclosed in this report.

On February 13, 2018, the Company entered into an Agreement for Purchase and Sale, Limited Exclusive Distribution and Royalties, and Servicing and Repairs with Premier Shockwave Wound Care, Inc., a Georgia Corporation (“PSWC”), and Premier Shockwave, Inc., a Georgia Corporation (“PS”). Each of PS and PSWC is owned by A. Michael Stolarski, a member of the Company’s board of directors and an existing shareholder of the Company. The agreement provides for the purchase by PSWC and PS of dermaPACE System and related equipment sold by the Company and includes a minimum purchase of 100 units over 3 years. The agreement grants PSWC and PS limited but exclusive distribution rights to provide dermaPACE Systems to certain governmental healthcare facilities in exchange for the payment of certain royalties to the Company. Under the agreement, the Company is responsible for the servicing and repairs of such dermaPACE Systems and equipment. The agreement also contains provisions whereby in the event of a change of control of the Company (as defined in the agreement), the stockholders of PSWC have the right and option to cause the Company to purchase all of the stock of PSWC, and whereby the Company has the right and option to purchase all issued and outstanding shares of PSWC, in each case based upon certain defined purchase price provisions and other terms. The agreement also contains certain transfer restrictions on the stock of PSWC.

On December 29, 2017, the Company entered into a line of credit agreement with A. Michael Stolarski, a member of the Company’s board of directors and an existing shareholder of the Company. The agreement established a line of credit in the amount of $370,000 with an annualized interest rate of 6%. The line of credit may be called for payment upon demand. The outstanding balance as of December 31, 2017 with accrued interest was $370,179 and $0 interest was paid for the period ending December 31, 2017.

On December 11, 2017, the Company issued Class O Warrant Agreements to active employees, independent contractors, members of the board of directors and members of the medical advisory boards to purchase 3,940,000 shares of common stock at an exercise price of $0.11 per share. Kevin A. Richardson II and A. Michael Stolarski, both members of the Company’s board of directors and existing shareholders of the Company, were issued 640,000 and 200,000 warrants, respectively. John Nemelka, Alan Rubino and Maj-Britt Kaltoft, members of the Company’s board of directors, were each issued 200,000 warrants. Lisa E. Sundstrom, an officer of the Company was issued 440,000 warrants.

On March 27, 2017, the Company began offering subscriptions for 10% convertible promissory notes (the “10% Convertible Promissory Notes”) to selected accredited investors. The Company intends to use the proceeds from the 10% Convertible Promissory Notes for working capital and general corporate purposes. The initial offering closed on August 15, 2017, at which time $55,000 aggregate principal amount of 10% Convertible Promissory Notes were issued and the funds paid to the Company. Subsequent offerings were closed on November 3, 2017, November 30, 2017, and December 21, 2017, at which times $1,069,440, $259,310 and $150,000, respectively, aggregate principal amounts of 10% Convertible Promissory Notes were issued and the funds paid to the Company. The 10% Convertible Promissory Notes include a warrant agreement (the “Class N Warrant Agreement”) to purchase Common Stock equal to the amount obtained by dividing the (i) sum of the principal amount, by (ii) $0.11. The Class N Warrant Agreement expires March 17, 2019. On November 3, 2017, the Company issued 10,222,180 Class N Warrants in connection with the initial and second closings of 10% Convertible Promissory Notes. On November 30, 2017, and December 21, 2017, the Company issued 2,357,364 and 1,363,636, respectively, Class N Warrants in connection with the closings of 10% Convertible Promissory Notes. A. Michael Stolarski, a member of the Company’s board of directors and an existing shareholder of the Company, was a purchaser in the 10% Convertible Promissory Notes in the amount of

$330,000. A. Michael Stolarski and Kevin A. Richardson II, both members of the Company’s board of directors and existing shareholders of the Company, had subscribed $130,000 and $140,000, respectively, to the Company as advances from related parties to be used to purchase 10% Convertible Promissory Notes. The 10% Convertible Promissory Notes associated with these subscriptions were issued in January 2018.

65

Explanation of Responses:

DESCRIPTION OF SECURITIES TO BE REGISTERED

Our authorized capital stock consists of 355,000,000 shares, of which 350,000,000 shares are designated as Common Stock and 5,000,000 shares are designated as preferred stock. As of May 21, 2018, there were issued and outstanding:

151,378,374 shares of Common Stock,

warrants to purchase 105,453,668 shares of Common Stock at a weighted average exercise price of $0.12 per share, and

stock options to purchase 21,593,385 shares of Common Stock at a weighted average exercise price of $0.31 per share.

The following summary of the material provisions of our Common Stock, preferred stock and warrants is qualified by reference to the provisions of our articles of incorporation and bylaws and the forms of warrant included or incorporated by reference as exhibits to the registration statement of which this prospectus is a part.

Common Stock

All shares of our Common Stock have equal voting rights and, when validly issued and outstanding, have one vote per share in all matters to be voted upon by the stockholders. Cumulative voting in the election of directors is not allowed, which means that the holders of more than 50% of the outstanding shares can elect all the directors if they choose to do so and, in such event, the holders of the remaining shares will not be able to elect any directors. The affirmative vote of a plurality of the shares of Common Stock voted at a stockholders meeting where a quorum is present is required to elect directors and to take other corporate actions. Holders of our Common Stock are entitled to receive ratably such dividends, if any, as may be declared by our board of directors out of legally available funds. However, the current policy of our board of directors is to retain earnings, if any, for the operation and expansion of the Company. Upon liquidation, dissolution or winding-up, the holders of our Common Stock are entitled to share ratably in all of our assets which are legally available for distribution, after payment of or provision for all liabilities and the liquidation preference of any outstanding preferred stock. The holders of our Common Stock have no preemptive, subscription, redemption or conversion rights. All issued and outstanding shares of Common Stock are, and the Common Stock reserved for issuance upon exercise of our stock options and warrants will be, when issued, fully-paid and non-assessable.

Preferred Stock

Our articles of incorporation authorize the issuance of up to 5,000,000 shares of “blank check” preferred stock with designations, rights and preferences as may be determined from time to time by our board of directors.

Warrants

The following is a brief summary of material provisions of the warrants related to the shares of common stock offered for resale and issuable upon the exercise of such warrants issued to the selling stockholders described herein.

Exercise Price and Terms. Each warrant entitles the holder thereof to purchase at any time until March 17, 2019, at a price of $0.08 per share, subject to certain adjustments referred to below, shares of our Common Stock. The holder of any warrant may exercise such warrant by surrendering the warrant to us, with the notice of exercise properly completed and executed, together with payment of the exercise price. The warrants may be exercised at any time in whole or in part at the applicable exercise price until expiration of the warrants. No fractional shares will be issued upon the exercise of the warrants.

Adjustments. The exercise price and the number of shares of Common Stock purchasable upon the exercise of the warrants are subject to adjustment upon the occurrence of certain events, including stock dividends, stock splits, combinations or reclassifications of the Common Stock. Additionally, an adjustment would be made in the case of a reclassification or exchange of Common Stock, consolidation or merger of our Company with or into another corporation (other than a consolidation or merger in which we are the surviving corporation) or sale of all or substantially all of our assets in order to enable holders of the warrants to acquire the kind and number of shares of stock or other securities or property receivable in such event by a holder of the number of shares of Common Stock that might otherwise have been purchased upon the exercise of the warrant. No adjustment to the number of shares and exercise price of the shares subject to the warrants will be made for dividends (other than stock dividends), if any, paid on our Common Stock.

66

Explanation of Responses:

Transfer, Exchange and Exercise. The warrants may be presented to us for exchange or exercise at any time on or prior to March 17, 2019, at which time the warrants become wholly void and of no value. Prior to any transfer of the warrants the holder must notify us of the same and, if subsequently requested, provide a legal opinion regarding the transfer to us.

Warrantholder Not a Stockholder. The warrants do not confer upon holders any voting, dividend or other rights as a shareholder of our Company.

Trading Information

Our shares of Common Stock are currently quoted in the over-the-counter market on the OTCQB under the symbol "SNWV".

Transfer Agent

The transfer agent and registrar for our Common Stock and preferred stock is Action Stock Transfer Corp., 7069 S. Highland Drive, Suite 300, Salt Lake City, Utah 84121

SHARES AVAILABLE FOR FUTURE SALE

As of May 21, 2018, we had 151,378,374 shares of Common Stock outstanding, not including shares issuable upon the exercise of outstanding warrants, stock options and other convertible securities. All shares sold in this offering will be freely tradable without restriction or further registration under the Securities Act, unless they are purchased by our "affiliates," as that term is defined in Rule 144 promulgated under the Securities Act.

The outstanding shares of our Common Stock not included in this prospectus will be available for sale in the public market as follows:

Public Float

Of our outstanding shares, 40,847,484 shares are beneficially owned by executive officers, directors and affiliates of the Company. The remaining 110,530,890 shares constitute our public float which, based on the last sale price of our Common Stock reported on the OTC Bulletin Board on May 21, 2018, equaled approximately $45,439,249.

Rule 144

In general, under Rule 144, as currently in effect, a person who has beneficially owned shares of our Common Stock for at least six (6) months, including the holding period of prior owners other than affiliates, is entitled to sell his or her shares without any volume limitations; an affiliate, however, can sell such number of shares within any three-month period as does not exceed the greater of:

1% of the number of shares of our Common Stock then outstanding, which equaled 1,513,784 shares as of May 21, 2018, or

the average weekly trading volume of our Common Stock, assuming our shares are then traded on a national securities exchange, during the four calendar weeks preceding the filing of a notice on Form 144 with respect to that sale.

Sales under Rule 144 are also subject to manner-of-sale provisions, notice requirements and the availability of current public information about us.

LEGAL MATTERS

Certain legal matters will be passed upon for us by Smith, Gambrell & Russell, LLP, Atlanta, Georgia.

EXPERTS

The consolidated financial statements as of December 31, 2017 and 2016 and for the years then ended included in this prospectus and in the registration statement have been so included in reliance on the report of Cherry Bekaert LLP, an independent registered public accounting firm, (the report on the financial statements contains an explanatory paragraph regarding the Company’s ability to continue as a going concern) appearing elsewhere herein and in the registration statement, given on the authority of said firm as experts in auditing and accounting.

Explanation of Responses:

INTEREST OF NAMED EXPERTS AND COUNSEL

No expert or counsel named in this prospectus as having prepared or certified any part of this prospectus or having given an opinion upon the validity of the securities being registered or upon other legal matters in connection with the registration or offering of the Common Stock was employed on a contingency basis, or had, or is to receive, in connection with the offering, a substantial interest, direct or indirect, in the registrant or any of its parents or subsidiaries. Nor was any such person connected with the registrant or any of its parents or subsidiaries as a promoter, managing or principal underwriter, voting trustee, director, officer, or employee.

WHERE YOU CAN FIND MORE INFORMATION; INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

We have filed a registration statement on Form S-1 with the SEC to register the shares of our Common Stock being offered by this prospectus. In addition, we file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any reports, statements or other information that we file at the SEC's public reference facilities at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information regarding the public reference facilities. The SEC maintains a website, http://www.sec.gov that contains reports, proxy statements and information statements and other information regarding registrants that file electronically with the SEC, including us. Our SEC filings are also available to the public from commercial document retrieval services. Information contained on our website should not be considered part of this prospectus.

The SEC allows the "incorporation by reference" of information into this prospectus, which means that information may be disclosed to you by referring you to other documents filed or which will be filed with the SEC. The following documents filed or to be filed by the Company with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act, other than information in these documents that is not deemed to be filed with the SEC are so incorporated by reference:

Annual Report of the Company on Form 10-K for the fiscal year ended December 31, 2017;

Quarterly Reports of the Company on Form 10-Q for the quarters ended March 31, June 30 and September 30, 2017;

Quarterly Report of the Company on Form 10-Q for the quarter ended March 31, 2018;

Current Reports of the Company on Form 8-K filed with the SEC on January 24, April 6, May 18, June 16, July 27, August 4, August 17, September 29, November 9, November 22 and December 29, 2017, January 11, February 14, February 16, April 2, and May 18, 2018; and

All documents subsequently filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act prior to the termination of the offering (including filings made after the date of the post-effective amendment to the registration statement of which this prospectus is a part and prior to the effectiveness of such post-effective amendment).

All documents filed by the Company with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this prospectus will be deemed to be incorporated by reference into this prospectus, other than information in the documents that is not deemed to be filed with the SEC.* The Company will file an updated prospectus annually pursuant to the Securities Act. A statement contained in this prospectus or any prospectus supplement, or in a document incorporated or deemed to be incorporated by reference into this prospectus or any prospectus supplement, will be deemed to be modified or superseded to the extent that a statement contained in any subsequently filed document that is incorporated by reference into this prospectus or any prospectus supplement, modifies or supersedes that statement. Any statements so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus or the applicable prospectus supplement. The public may read and copy any materials the Company files with the SEC at the SEC's Public Reference Room located at 100 F Street, N.E., Washington, DC 20549 SEC and online at www.sec.gov. More information concerning the operation of the Public Reference Room of the SEC may obtained by calling the SEC at 1-800-SEC-0330 or visiting online at www.sec.gov.

The Company, will provide to each person, including any beneficial owner, to whom a prospectus is delivered, a copy of any or all of the reports or documents that have been incorporated by reference in the prospectus contained in the registration statement but not delivered with the prospectus at no cost upon written or oral request. Such requests may be directed to the attention of SANUWAVE Health, Inc., 3360 Martin Farm Road, Suite 100, Suwanee, Georgia 30024 Attn: Lisa Sundstrom, Chief Financial Officer, Telephone: (770) 419-7525 or by email to lisa.sundstrom@sanuwave.com. The reports and other documents incorporated by reference may also be accessed is http://www.sanuwave.com.

*We are not incorporating and will not incorporate by reference into this prospectus past or future information on reports furnished or that will be furnished under Items 2.02 and/or 7.01 of, or otherwise with, Form 8-K.

You may also request a copy of our filings at no cost by writing or telephoning us at:

SANUWAVE Health, Inc.
3360 Martin Farm Road, Suite 100
Suwanee, Georgia 30024
Attn: Lisa Sundstrom, Chief Financial Officer
Telephone: (770) 419-7525

68

Explanation of Responses:

PART I — FINANCIAL INFORMATION

INDEX TO FINANCIAL STATEMENTS

SANUWAVE
HEALTH, INC.
AND
SUBSIDIARIES

CONDENSED
CONSOLIDATED
BALANCE
SHEETS
(UNAUDITED)

	March 31, 2018	December 31, 2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$154,205	$730,184
Accounts receivable, net of allowance for doubtful accounts of $73,184 in 2018 and $92,797 in 2017	151,684	152,520
Contract assets (Note 6)	55,700	-
Inventory, net	264,266	231,532
Prepaid expenses	200,960	90,288
TOTAL CURRENT ASSETS	826,815	1,204,524
PROPERTY AND EQUIPMENT, net (Note 4)	63,073	60,369
OTHER ASSETS	17,253	13,917
TOTAL ASSETS	$907,141	$1,278,810
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$822,760	$1,496,523
Accrued expenses (Note 5)	608,856	673,600
Accrued employee compensation	70,502	1,680
Contract liabilities (Note 6)	35,840	-
Advances from related and unrelated parties (Note 7)	12,000	310,000
Line of credit, related parties (Note 8)	375,729	370,179
Convertible promissory notes, net (Note 9)	2,004,541	455,606
Note payable, product, related party (Note 10)	94,058	-
Interest payable, related parties (Note 11)	685,907	685,907

Warrant liability (Note 15)	4,798,727	1,943,883
Notes payable, related parties, net (Note 11)	5,260,243	5,222,259
TOTAL CURRENT LIABILITIES	14,769,163	11,159,637
NON-CURRENT LIABILITIES		
Contract liabilities	73,374	-
TOTAL NON-CURRENT LIABILITIES	73,374	-
TOTAL LIABILITIES	14,842,537	11,159,637
COMMITMENTS AND CONTINGENCIES (Note 16)		
STOCKHOLDERS' DEFICIT		
PREFERRED STOCK, SERIES A CONVERTIBLE, par value $0.001, 6,175 authorized; 6,175 shares issued and 0 shares outstanding in 2017 and 2016 (Note 14)	-	-
PREFERRED STOCK, SERIES B CONVERTIBLE, par value $0.001, 293 authorized; 293 shares issued and 0 shares outstanding in 2017 and 2016, respectively (Note 14)	-	-
PREFERRED STOCK - UNDESIGNATED, par value $0.001, 4,993,532 shares authorized; no shares issued and outstanding (Note 14)	-	-
COMMON STOCK, par value $0.001, 350,000,000 shares authorized; 141,050,550 and 139,300,122 issued and outstanding in 2018 and 2017, respectively (Note 13)	141,051	139,300
ADDITIONAL PAID-IN CAPITAL	96,794,440	94,995,040
ACCUMULATED DEFICIT	(110,828,039)	(104,971,384)
ACCUMULATED OTHER COMPREHENSIVE LOSS	(42,848)	(43,783)
TOTAL STOCKHOLDERS' DEFICIT	(13,935,396)	(9,880,827)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$907,141	$1,278,810

The accompanying notes to condensed consolidated financial statements are an integral part of these statements.

F-1

SANUWAVE HEALTH, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(UNAUDITED)

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
REVENUES	$344,272	$149,569
COST OF REVENUES (exclusive of depreciation shown below)	165,466	55,144
OPERATING EXPENSES		
Research and development	349,444	260,338
General and administrative	945,606	448,606
Depreciation	5,016	6,120
TOTAL OPERATING EXPENSES	1,300,066	715,064
OPERATING LOSS	(1,121,260)	(620,639)
OTHER INCOME (EXPENSE)		
(Loss) gain on warrant valuation adjustment	(2,973,682)	323,223
Interest expense, net	(1,744,967)	(192,738)
Loss on foreign currency exchange	(16,746)	(3,378)
TOTAL OTHER INCOME (EXPENSE), NET	(4,735,395)	127,107
NET LOSS	(5,856,655)	(493,532)
OTHER COMPREHENSIVE INCOME		
Foreign currency translation adjustments	935	1,785
TOTAL COMPREHENSIVE LOSS	$(5,855,720)	$(491,747)

LOSS PER SHARE:		
Net loss - basic and diluted	$(0.04)	$-
Weighted average shares outstanding - basic and diluted	139,754,044	138,042,070

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

F-2

SANUWAVE HEALTH, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$(5,856,655)	$(493,532)
Adjustments to reconcile loss from continuing operations to net cash used by operating activities		
Depreciation	5,016	6,120
Change in allowance for doubtful accounts	(19,613)	5,152
Loss (gain) on warrant valuation adjustment	2,973,682	(323,223)
Amortization of debt issuance costs	1,473,872	-
Amortization of debt discount	37,984	55,900
Stock issued for consulting services	79,000	-
Changes in assets - (increase)/decrease		
Accounts receivable - trade	20,449	4,278
Inventory	(32,734)	29,074
Prepaid expenses	(110,672)	(27,554)
Contract assets	(55,700)	
Other	(3,336)	(55)
Changes in liabilities - increase/(decrease)		
Accounts payable	(553,763)	320,377
Accrued expenses	(64,744)	171,741
Accrued employee compensation	68,822	-
Contract liabilties	109,214	-
Accrued interest	80,613	-

Interest payable, related parties	-	136,838
NET CASH USED BY OPERATING ACTIVITIES	(1,848,565)	(114,884)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(7,720)	-
NET CASH USED BY INVESTING ACTIVITIES	(7,720)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from convertible promissory notes, net	1,159,785	-
Proceeds from note payable, product	96,708	-
Proceeds from warrant exercise	13,528	77,066
Advances from related parties	12,000	-
Payments on note payable, product	(2,650)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,279,371	77,066
EFFECT OF EXCHANGE RATES ON CASH	935	1,785
NET DECREASE IN CASH AND CASH EQUIVALENTS	(575,979)	(36,033)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	730,184	133,571
CASH AND CASH EQUIVALENTS, END OF PERIOD	$154,205	$97,538
SUPPLEMENTAL INFORMATION		
Cash paid for interest, related parties	$151,227	$-
Cash paid for note payable, product	$2,650	$-
NONCASH INVESTING AND FINANCING ACTIVITIES		
Stock issued for services	$79,000	$-
Cashless exercise of warrants	$118,838	$56,740
Advances from related and unrelated parties converted to Convertible promissory notes	$310,000	$-
Accounts payable converted to Convertible promissory notes	$120,000	$-
Beneficial conversion feature on 10% convertible promissory notes	709,827	-
Beneficial conversion feature on convertible promissory note	35,396	-
Beneficial conversion feature on convertible debt	$745,223	$-
Warrants issued with 10% convertible promissory notes	$808,458	$-
Warrants issued with convertible promissory note	36,104	-
Warrants issued for debt	$844,562	$-

The accompanying notes to consolidated financial statements are an integral part of these statements

F-3

SANUWAVE HEALTH, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018

1. Nature of the Business

SANUWAVE Health, Inc. and subsidiaries (the "Company") is a shock wave technology company using a patented system of noninvasive, high-energy, acoustic shock waves for regenerative medicine and other applications. The Company's initial focus is regenerative medicine – utilizing noninvasive, acoustic shock waves to produce a biological response resulting in the body healing itself through the repair and regeneration of tissue, musculoskeletal and vascular structures. The Company's lead regenerative product in the United States is the dermaPACE® device, used for treating diabetic foot ulcers, which was subject to two double-blinded, randomized Phase III clinical studies. On December 28, 2017, the U.S. Food and Drug Administration (the "FDA") notified the Company to permit the marketing of the dermaPACE System for the treatment of diabetic foot ulcers in the United States.

The Company's portfolio of healthcare products and product candidates activate biologic signaling and angiogenic responses, including new vascularization and microcirculatory improvement, helping to restore the body's normal healing processes and regeneration. The Company intends to apply its Pulsed Acoustic Cellular Expression (PACE®) technology in wound healing, orthopedic, plastic/cosmetic and cardiac conditions. In 2018, the Company has started marketing the dermaPACE System for sale in the United States and will continue to generate revenue from sales of the European Conformity Marking (CE Mark) devices and accessories in Europe, Canada, Asia and Asia/Pacific.

2. Going Concern

The Company does not currently generate significant recurring revenue and will require additional capital during the second and third quarters of 2018. As of March 31, 2018, the Company had an accumulated deficit of $110,828,039 and cash and cash equivalents of $154,205. For the three months ended March 31, 2018 and 2017, the net cash used by operating activities was $1,848,565 and $114,884, respectively. The Company incurred a net loss of $5,856,655 for the three months ended March 31, 2018 and a net loss of $5,537,936 for the year ended December 31, 2017. The operating losses and the Events of Default on the Note payable, product, related party (see Note 10) and Notes payable, related parties (see Note 11) create an uncertainty about the Company's ability to continue as a going concern.

The continuation of the Company's business is dependent upon raising additional capital during the second and third quarters of 2018 to fund operations. Management's plans are to obtain additional capital in 2018 through investments by strategic partners for market opportunities, which may include strategic partnerships or licensing arrangements, or raise capital through the conversion of outstanding warrants, the issuance of common or preferred stock, securities convertible into common stock, or secured or unsecured debt. These possibilities, to the extent available, may be on terms that result in significant dilution to the Company's existing shareholders. Although no assurances can be given, management of the Company believes that potential additional issuances of equity or other potential financing transactions as discussed above should provide the necessary funding for the Company to continue as a going concern. If these efforts are unsuccessful, the Company may be forced to seek relief through a filing under the U.S. Bankruptcy Code. The consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

3.
Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with United States generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 8-03 of Regulation S-X. Accordingly, these condensed consolidated financial statements do not include all the information and footnotes required by United States generally accepted accounting principles for complete financial statements. The financial information as of March 31, 2018 and for the three months ended March 31, 2018 and 2017 is unaudited; however, in the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month period ended March 31, 2018 are not necessarily indicative of the results that may be expected for any other interim period or for the year ending December 31, 2018.

SANUWAVE HEALTH, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018

3.
Summary of Significant Accounting Policies (continued)

The condensed consolidated balance sheet at December 31, 2017 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by United States generally accepted accounting principles for complete financial statements.

Significant Accounting Policies

For further information and a summary of significant accounting policies, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017, filed with the SEC on March 29, 2018.

Recently Issued Accounting Standards

New accounting pronouncements are issued by the Financial Standards Board ("FASB") or other standards setting bodies that the Company adopts according to the various timetables the FASB specifies. The Company does not expect the adoption of recently issued accounting pronouncements to have a significant impact on the Company's results of operations, financial position or cash flow.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (ASU 2014-09), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. The standard was declared effective for annual periods beginning after December 15, 2017, and interim periods therein, using either of the following transition methods: (i) a full retrospective method, which requires the standard to be applied to each prior period presented, or (ii) a modified retrospective method, which requires the cumulative effect of adoption to be recognized as an adjustment to the opening retained earnings in the period of adoption. In July 2015, the FASB confirmed a one-year delay in the effective date of ASU 2014-09, making the effective date for the Company the first quarter of fiscal 2018 instead of the previous effective date, which was the first quarter of fiscal 2017. This one year deferral was issued by the FASB in ASU 2015-14, Revenue from Contracts with Customers (Topic 606). The Company adopted the new standard on a modified retrospective basis as of January 1, 2018. The Company completed an assessment of customer contracts and concluded that the adoption of this ASU did not have a material impact on our condensed, consolidated financial statements; therefore, no cumulative catch-up adjustment was recorded to prior periods. The disclosures related to revenue recognition have been significantly expanded under the standard, specifically around the quantitative and qualitative information about performance obligations and disaggregation of revenue. The expanded disclosure requirements are included in this Form 10-Q (see Notes 6 and 17).

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires lessees to recognize most leases on the balance sheet. The provisions of this guidance are effective for the annual periods beginning after December 15, 2018, and interim periods within those years, with early adoption permitted. Management is evaluating the requirements of this guidance and has not yet determined the impact of the adoption on the Company's financial position or results of operations.

F-5

SANUWAVE HEALTH, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018

3.
Summary of Significant Accounting Policies (continued)

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments (Topic 230). This ASU will make eight targeted changes to how cash receipts and cash payments are presented and classified in the statement of cash flows. The ASU will be effective for fiscal years beginning after December 15, 2017. This standard will require adoption on a retrospective basis unless it is impracticable to apply, in which case it would be required to apply the amendments prospectively as of the earliest date practicable. The new standard was adopted during the first quarter of 2018 using a retrospective transition method. The adoption of this guidance did not have a material impact on our financial statements.

In July 2017, the FASB issued ASU No. 2017-11, Earnings Per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480): Derivatives and Hedging (Topic 815): (Part I) Accounting for Certain Financial Instruments with Down Round Features, (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception. Part I of this ASU addresses the complexity and reporting burden associated with the accounting for freestanding and embedded instruments with down round features as liabilities subject to fair value measurement. Part II of this ASU addresses the difficulty of navigating Topic 480. Part I of this ASU will be effective for fiscal years beginning after December 15, 2018. Early adoption is permitted for an entity in an interim or annual period. Management is evaluating the requirements of this guidance and has not yet determined the impact of the pending adoption on the Company’s financial position or results of operations.

In February 2018, the FASB issued ASU 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. This ASU requires reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act (the"TCJA"). The amount of the reclassification is the difference between the historical 35% corporate income tax rate and the newly enacted 21% corporate income tax rate. Because the amendments only relate to the reclassification of the income tax effects of the Tax Cuts and Jobs Act, the underlying guidance that requires that the effect of a change in tax laws of rates be included in income from continuing operations is not affected. This ASU is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. In addition, the TCJA caused deferred taxes to be reduced using the lower 21% federal tax rate. The impact of the newly enacted 21% corporate income tax rate of the TCJA was a $11.1 million adjustment to the gross deferred tax assets which was offset by the same adjustment to the valuation allowance at December 31, 2017.

4.
Property and equipment

Property and equipment consists of the following:

	March 31,	December 31,
	2018	2017

Machines and equipment	$240,295	$240,295
Office and computer equipment	160,982	156,860
Devices	89,704	89,704
Software	38,126	34,528
Furniture and fixtures	16,019	16,019
Other assets	2,259	2,259
Total	547,385	539,665
Accumulated depreciation	(484,312)	(479,296)
Net property and equipment	$63,073	$60,369

Depreciation expense was $5,016 and $6,120 for the three months ended March 31, 2018 and 2017, respectively.

SANUWAVE HEALTH, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018

5.
Accrued expenses

Accrued expenses consist of the following:

	March 31, 2018	December 31, 2017
Accrued outside services	$187,959	$165,427
Accrued executive severance	122,500	118,000
Accrued travel	54,926	39,926
Accrued audit and tax preparation	53,800	73,800
Accrued board of director's fees	50,000	125,000
Deferred rent	49,968	51,191
Deferred revenue	39,257	13,317
Accrued legal professional fees	32,405	61,890
Accrued clinical study expenses	13,650	13,650
Accrued other	4,391	11,399
	$608,856	$673,600

6.
Contract assets and contract liabilities

As of March 31, 2018, the Company has contract assets from contracts with customers. The contract assets are due to the implementation of Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (ASU 2014-09) (see Note 17).

Contract assets consist of the following:

	March 31, 2018	December 31, 2017
Distribution license	$40,000	$-

Refurbishment license	15,700	-
	$55,700	$-

As of March 31, 2018, the Company has contract liabilities from contracts with customers. The contract liabilities are due to the implementation of Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (ASU 2014-09) (see Note 17).

SANUWAVE HEALTH, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018

6.
Contract assets and contract liabilities (continued)

Contract liabilities consist of the following:

	March 31, 2018	December 31, 2017
Distribution license	$54,444	$-
Service agreement	37,553	-
Intitial warranty	13,636	-
Tiered pricing	3,581	-
Total Contract liabilities	109,214	-
Non-Current	(73,374)	-
Total Current	$35,840	$-

Revenue recognized for the three months ended March 31, 2018 and 2017, that was included in deferred revenue balances at the beginning of each period was $2,687 and $12,638, respectively.

7.
Advances from related and unrelated parties

The Company has received cash advances from related parties and accredited investors to help fund the Company's operations. As of March 31, 2018, the Company had received $12,000 from an unrelated party for exercise of warrants. As of December 31, 2017, the Company had received $310,000 from related and unrelated parties as a part of an agreement that the Company offered to issue convertible promissory notes.

As of December 31, 2017, A. Michael Stolarski and Kevin A. Richardson II, both members of the Company's board of directors and existing shareholders of the Company, had subscribed $130,000 and $140,000, respectively, to the Company as advances from related parties to be used to purchase 10% Convertible Promissory Notes. The convertible promissory notes for this balance were issued on January 10, 2018 (see Note 8).

8.
Line of credit, related parties

The Company entered into a line of credit agreement with a related party at December 29, 2017. The agreement established a line of credit in the amount of $370,000 with an annualized interest rate of 6%. The line of credit may be called for payment upon demand. As of March 31, 2018, no amounts were available for future borrowing under this agreement.

Interest expense on line of credit, related parties totaled $5,550 and $0 for the three months ended March 31, 2018 and 2017, respectively.

9.
Convertible promissory notes

On March 27, 2017, the Company began offering subscriptions for 10% convertible promissory notes (the “10% Convertible Promissory Notes”) to selected accredited investors. The Company intends to use the proceeds from the 10% Convertible Promissory Notes for working capital and general corporate purposes. The initial offering closed on August 15, 2017, at which time $55,000 aggregate principal amount of 10% Convertible Promissory Notes were issued and the funds paid to the Company. Subsequent offerings were closed on November 3, 2017, November 30, 2017, December 21, 2017, January 10, 2018 and February 2, 2018 at which times $1,069,440, $199,310, $150,000, $1,496,000 and $100,000 respectively, aggregate principal amounts of 10% Convertible Promissory Notes were issued and the funds paid to the Company. On November 30, 2017, the outstanding balance of $60,000 of a short term loan with Millennium Park Capital LLC was converted into a 10% Convertible Promissory Notes agreement. On January 10, 2018, the outstanding balance of $310,000 of advances from related and unrelated parties was converted into two 10% Convertible Promissory Notes agreements (see Note 7).

SANUWAVE HEALTH, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018

9.
Convertible promissory notes (continued)

The 10% Convertible Promissory Notes have a six month term from the subscription date and the note holders can convert the 10% Convertible Promissory Notes at any time during the term to the number of shares of Company common stock, $0.001 par value (the “Common Stock”), equal to the amount obtained by dividing (i) the amount of the unpaid principal and interest on the note by (ii) $0.11.

The 10% Convertible Promissory Notes include a warrant agreement (the “Class N Warrant Agreement”) to purchase Common Stock equal to the amount obtained by dividing the (i) sum of the principal amount by (ii) $0.11. The Class N Warrant Agreement expires March 17, 2019. On November 3, 2017, the Company issued 10,222,180 Class N Warrants in connection with the initial and second closings of 10% Convertible Promissory Notes. On November 30, 2017, December 21, 2017, January 10, 2018, and February 2, 2018, the Company issued 2,357,364, 1,363,636, 13,599,999 and 909,091 respectively, Class N Warrants in connection with the closings of 10% Convertible Promissory Notes.

Pursuant to the terms of a Registration Rights Agreement (the “Registration Rights Agreement”) that the Company entered with the accredited investors in connection with the 10% Convertible Promissory Notes, the Company is required to file a registration statement that covers the shares of Common Stock issuable upon conversion of the 10% Convertible Promissory Notes or upon exercise of the Class N Warrants. The failure on the part of the Company to satisfy certain deadlines described in the Registration Rights Agreement may subject the Company to payment of certain monetary penalties.

In 2018, the Company recorded $709,827 in debt discount for the beneficial conversion feature of the promissory notes, $808,458 in debt discount for the discount on the Class N Warrant agreement and $77,715 in debt issuance costs to be amortized over the lives of the 10% Convertible Promissory Notes. Additional debt issuance costs will be incurred and amortized over the remaining lives of the 10% Convertible Promissory Notes when Class N Warrants are issued per the engagement letter with West Park Capital.

In 2017, the Company recorded $820,681 in debt discount for the beneficial conversion feature of the promissory notes, $620,748 in debt discount for the discount on the Class N Warrant agreement and $89,518 in debt issuance costs to be amortized over the lives of the 10% Convertible Promissory Notes. Additional debt issuance costs will be incurred and amortized over the remaining lives of the 10% Convertible Promissory Notes when Class N Warrants are issued per the engagement letter with West Park Capital.

The 10% Convertible Promissory Notes had an aggregate outstanding principal balance of $1,978,682, net of $1,246,616 beneficial conversion feature, warrant discount and debt issuance costs at March 31, 2018. The 10% Convertible Promissory Notes had an aggregate outstanding principal balance of $455,606, net of $1,099,861 beneficial conversion feature, warrant discount and debt issuance costs at December 31, 2017.

Interest expense on the 10% Convertible Promissory Notes totaled $1,523,076 and $0 for the three months ended March 31, 2018 and 2017, respectively.

A. Michael Stolarski, a member of the Company’s board of directors and an existing shareholder of the Company, was a purchaser in the 10% Convertible Promissory Notes in the amounts of $330,000 and $170,000 and was issued

3,000,000 and 1,545,455 Class N Warrants on November 3, 2017 and January 10, 2018, respectively. Kevin A. Richardson II, a member of the Company's board of directors and an existing shareholder of the Company, was a purchaser in the 10% Convertible Promissory Notes in the amount of $260,000 and was issued 2,363,636 Class N Warrants on January 10, 2018.

F-9

SANUWAVE HEALTH, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018

9.
Convertible promissory notes (continued)

On January 29, 2018, the Company entered into a convertible promissory note (the “Convertible Promissory Note”) with an accredited investor in the amount of $71,500. The Company intends to use the proceeds from the Convertible Promissory Notes for payment of services to an investor relations company and the account of the attorney updating the Registration Statement on Form S-1 of the Company filed under the Securities Act of 1933, as amended, on January 3, 2017 (File No. 333-213774), which registration statement shall also register the shares issuable upon conversion of the Convertible Promissory Note and issuable upon the exercise of a Class N common stock purchase warrant issued concurrently with the issuance of this Convertible Promissory Note.

The Convertible Promissory Note has a six month term from the subscription date and the note holders can convert the Convertible Promissory Note at any time during the term to the number of shares of Common Stock, equal to the amount obtained by dividing (i) the amount of the unpaid principal and interest on the note by (ii) $0.11.

The Convertible Promissory Note includes a warrant agreement (the “Class N Common Stock Purchase Warrant”) to purchase Common Stock equal to the amount obtained by dividing the (i) sum of the principal amount by (ii) $0.11. The Class N Common Stock Purchase Warrant expires on March 17, 2019. On January 29, 2018, the Company issued 650,000 Class N Common Stock Purchase Warrants in connection with this Convertible Promissory Note.

The Company recorded $35,396 debt discount for the beneficial conversion feature of the promissory notes and $36,104 in debt discount for the discount on the Class N Warrant agreement to be amortized over the life of the Convertible Promissory Note.

The Convertible Promissory Note had an aggregate outstanding principal balance of $25,859, net of $46,872 beneficial conversion feature, warrant discount and debt issuance costs at March 31, 2018.

Interest expense on the Convertible Promissory Note totaled $25,859 and $0 for the three months ended March 31, 2018 and 2017, respectively.

10.
Note payable, product, related party

On January 26, 2018, the Company entered into a Master Equipment Lease with NFS Leasing Inc. to provide financing for equipment purchases to enable the Company to begin placing the dermaPACE System in the marketplace. This agreement provides for a lease line of credit up to $1,000,000 with a term of 36 months, and grants NFS a security interest in the Company’s accounts receivable, tangible and intangible personal property and cash and deposit accounts of the Company.

On March 1, 2018, the Company entered into the first drawdown of the Master Equipment Lease in the amount of $96,708.

Interest expense on note payable, product totaled $1,270 and $0 for the three months ended March 31, 2018 and 2017, respectively.

As of February 27, 2018, we are in default of Master Equipment Lease due to the sale of equipment purchased under the Master Lease Agreement to a third party and the note is callable by NFS Leasing, Inc or NFS Leasing, Inc. can notify the Company to assemble all equipment for pick up. The notes payable, product is shown as a current liability.

F-10

SANUWAVE HEALTH, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018

10.
Notes payable, product, related party (continued)

Minimum future note payments under the note payable, product consist of the following:

Year ending December 31,	Amount
Remainder of 2018	$21,009
2019	31,428
2020	35,832
2021	5,789
Total	$94,058

11.
Notes payable, related parties

The notes payable, related parties were issued in conjunction with the Company's purchase of the orthopedic division of HealthTronics, Inc. on August 1, 2005. The notes payable, related parties bear interest at 6% per annum. Quarterly interest through June 30, 2010, was accrued and added to the principal balance. Interest was paid quarterly in arrears beginning September 30, 2010. All remaining unpaid accrued interest and principal was originally due August 1, 2015.

On June 15, 2015, the Company and HealthTronics, Inc. entered into an amendment (the "Note Amendment") to amend certain provisions of the notes payable, related parties. The Note Amendment provides for the extension of the due date to January 31, 2017. In connection with the Note Amendment, the Company entered into a security agreement with HealthTronics, Inc. to provide a first security interest in the assets of the Company. The notes payable, related parties bear interest at 8% per annum effective August 1, 2015 and during any period when an Event of Default occurs, the applicable interest rate shall increase by 2% per annum. Events of Default under the notes payable, related parties have occurred and are continuing on account of the failure of SANUWAVE, Inc., a Delaware corporation, a wholly owned subsidiary of the Company and the borrower under the notes payable, related parties, to make the required payments of interest which were due on December 31, 2016, March 31, 2017, June 30, 2017, September 30, 2017, and December 31, 2017 (collectively, the "Defaults"). As a result of the Defaults, the notes payable, related parties have been accruing interest at the rate of 10% per annum since January 2, 2017 and continue to accrue interest at such rate. The Company will be required to make mandatory prepayments of principal on the notes payable, related parties equal to 20% of the proceeds received by the Company through the issuance or sale of any equity securities in cash or through the licensing of the Company's patents or other intellectual property rights.

On June 28, 2016, the Company and HealthTronics, Inc. entered into a second amendment (the "Second Amendment") to amend certain provisions of the notes payable, related parties. The Second Amendment provides for the extension of the due date to January 31, 2018.

On August 3, 2017, the Company and HealthTronics, Inc. entered into a third amendment (the “Third Amendment”) to amend certain provisions of the notes payable, related parties. The Third Amendment provides for the extension of the due date to December 31, 2018, revision of the mandatory prepayment provisions and the future issuance of additional warrants to HealthTronics upon certain conditions.

The notes payable, related parties had an aggregate outstanding principal balance of $5,260,243, net of $112,500 debt discount at March 31, 2018 and $5,222,259, net of $150,484 debt discount at December 31, 2017, respectively.

SANUWAVE HEALTH, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018

11.
Notes payable, related parties (continued)

In addition, the Company, in connection with the Note Amendment, issued to HealthTronics, Inc. on June 15, 2015, a total of 3,310,000 warrants (the "Class K Warrants") to purchase shares of Common Stock, at an exercise price of $0.55 per share, subject to certain anti-dilution protection. Each Class K Warrant represents the right to purchase one share of Common Stock. The warrants vested upon issuance and expire after ten years. The fair value of these warrants on the date of issuance was $0.0112 and $36,989 was recorded as a debt discount to be amortized over the life of the amendment.

In addition, the Company, in connection with the Second Amendment, issued to HealthTronics, Inc. on June 28, 2016, an additional 1,890,000 Class K Warrants to purchase shares of the Company's Common Stock at an exercise price of $0.08 per share, subject to certain anti-dilution protection. The exercise price of the 3,310,000 Class K Warrants issued on June 15, 2015 was decreased to $0.08 per share. The fair value of these warrants on the date of issuance was $0.005 and $9,214 was recorded as a debt discount to be amortized over the life of the amendment.

In addition, the Company, in connection with the Third Amendment, issued to HealthTronics, Inc. on August 3, 2017, an additional 2,000,000 Class K Warrants to purchase shares of the Company's Common Stock at an exercise price of $0.11 per share, subject to certain anti-dilution protection. The fair value of these warrants on the date of issuance was $0.10 per warrant and $200,000 was recorded as a debt discount to be amortized over the life of the amendment.

Accrued interest currently payable totaled $685,907 at March 31, 2018 and December 31, 2017. Interest expense on notes payable, related parties totaled $189,211 and $140,178 for the three months ended March 31, 2018 and 2017, respectively.

As of January 2, 2017, we are in default with our interest payment and the note is callable by HealthTronics, Inc. The notes payable, related parties are shown as a current liability.

12.
Income taxes

The Company files income tax returns in the United States federal jurisdiction and various state and foreign jurisdictions. The Company is no longer subject to United States federal and state and non-United States income tax examinations by tax authorities for years before 2014.

At March 31, 2018, the Company had federal net operating loss ("NOL") carryforwards for tax years through the year ended December 31, 2017, that will begin to expire in 2025. The use of deferred tax assets, including federal NOLs, is limited to future taxable earnings. Based on the required analysis of future taxable income under the provisions of ASC 740, Income Taxes, the Company's management believes that there is not sufficient evidence at March 31, 2018 indicating that the results of operations will generate sufficient taxable income to realize the net deferred tax asset in years beyond 2018. As a result, a valuation allowance was provided for the entire net deferred tax asset related to future years, including NOL carryforwards.

The Company's ability to use its NOL carryforwards could be limited and subject to annual limitations. In connection with future offerings, the Company may realize a "more than 50% change in ownership" which could further limit its ability to use its NOL carryforwards accumulated to date to reduce future taxable income and tax liabilities. Additionally, because United States tax laws limit the time during which NOL carryforwards may be applied against future taxable income and tax liabilities, the Company may not be able to take advantage of all or portions of its NOL carryforwards for federal income tax purposes.

SANUWAVE HEALTH, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018

13.
Equity transactions

Warrant Exercise

On March 23, 2018, the Company issued 75,666 shares of restricted Common Stock upon the exercise of 75,666 Series A Warrants to purchase shares of stock for $0.0334 per share under the terms of the Series A Warrant agreement.

On February 23, 2018, the Company issued 100,000 shares of restricted Common Stock upon the exercise of 100,000 Class O Warrants to purchase shares of stock for $0.11 per share under the terms of the Class O Warrant agreement.

Cashless Warrant Exercise

On March 28, 2018, the Company issued 84,314 shares of Common Stock upon the cashless exercise of 100,000 Class L Warrants to purchase shares of stock for $0.08 per share based on a current market value of $0.51 per share as determined under the terms of the Class L Warrant agreement.

On March 2, 2018, the Company issued 407,461 shares of Common Stock upon the cashless exercise of 600,000 Class L Warrants to purchase shares of stock for $0.08 per share based on a current market value of $0.2493 per share as determined under the terms of the Class L Warrant agreement.

On February 14, 2018, the Company issued 229,515 shares of Common Stock upon the cashless exercise of 400,000 Class L Warrants to purchase shares of stock for $0.08 per share based on a current market value of $0.1877 per share as determined under the terms of the Class L Warrant agreement.

On March 9, 2018, the Company issued 251,408 shares of Common Stock upon the cashless exercise of 271,000 Series A Warrants to purchase shares of stock for $0.0334 per share based on a current market value of $0.462 per share as determined under the terms of the Series A Warrant agreement.

On January 11, 2018, the Company issued 50,432 shares of Common Stock upon the cashless exercise of 59,000 Series A Warrants to purchase shares of stock for $0.0334 per share based on a current market value of $0.23 per share as determined under the terms of the Series A Warrant agreement.

Consulting Agreement

In November 2017, the Company entered into a three month consulting agreement for which a portion of the fee for the services was to be paid with Common Stock. The number of shares to be paid with Common Stock was calculated by dividing the amount of the fee to be paid with Common Stock of $4,000 by the Company stock price at the close of business on the eighth business day of each month. The Company issued 26,667, 23,529 and 18,182 shares, respectively in each of the three months of the agreement. The $4,000 was recorded as a non-cash general and administrative expense for each of the three months of the agreement.

In May 2017, the Company entered into a consulting agreement for which a portion of the fee for the services was to be paid with Common Stock. The number of shares to be paid with Common Stock was calculated by dividing the amount of the fee to be paid with Common Stock of $7,500 by the Company’s stock price at the close of business on the eighth business day of each month. On March 27, 2018, the Company issued 533,450 shares for services rendered May 2017 through February 2018. Non-cash general and administrative expense of $15,000 and $60,000 was recorded in 2018 and 2017, respectively.

SANUWAVE HEALTH, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018

14.
Preferred Stock

The Company’s Articles of Incorporation authorize the issuance of up to 5,000,000 shares of “blank check” preferred stock with designations, rights and preferences as may be determined from time to time by the board of directors. On January 12, 2016, the Company filed a Certificate of Designation of Preferences, Rights and Limitations for Series B Convertible Preferred Stock of the Company (the “Certificate of Designation”) with the Nevada Secretary of State. The Certificate of Designation amends the Company’s Articles of Incorporation to designate 293 shares of preferred stock, par value $0.001 per share, as Series B Convertible Preferred Stock. The Series B Convertible Preferred Stock has a stated value of $1,000 per share. On January 13, 2016, in connection with the Series A Warrant Conversion, the Company issued 293 shares of Series B Convertible Preferred Stock.

Under the Certificate of Designation, holders of Series B Convertible Preferred Stock are entitled to receive dividends equal (on an as-if-converted-to-common-stock basis) to and in the same form as dividends (other than dividends in the form of common stock) actually paid on shares of the common stock when, as and if such dividends are paid. Such holders will participate on an equal basis per-share with holders of common stock in any distribution upon winding up, dissolution, or liquidation of the Company. Holders of Series B Convertible Preferred Stock are entitled to convert each share of Series A Convertible Preferred Stock into 2,000 shares of common stock, provided that after giving effect to such conversion, such holder, together with its affiliates, shall not beneficially own in excess of 9.99% of the number of shares of common stock outstanding (the “Beneficial Ownership Limitation”). Holders of the Series B Convertible Preferred Stock are entitled to vote on all matters affecting the holders of the common stock on an “as converted” basis, provided that such holder shall only vote such shares of Series B Convertible Preferred Stock eligible for conversion without exceeding the Beneficial Ownership Limitation.

On April 29, 2016, the holders of Series B Convertible Preferred Stock converted the outstanding 293 shares of Series B Convertible Preferred Stock into 3,657,278 shares of common stock. As of April 29, 2016, there were no outstanding shares of Series B Convertible Preferred Stock.

On March 14, 2014, the Company filed a Certificate of Designation of Preferences, Rights and Limitations for Series A Convertible Preferred Stock of the Company (the “Certificate of Designation”) with the Nevada Secretary of State. The Certificate of Designation amends the Company’s Articles of Incorporation to designate 6,175 shares of preferred stock, par value $0.001 per share, as Series A Convertible Preferred Stock. The Series A Convertible Preferred Stock has a stated value of $1,000 per share. On March 17, 2014, in connection with a Private Placement, the Company issued 6,175 shares of Series A Convertible Preferred Stock. As of January 6, 2015, there were no outstanding shares of Series A Convertible Preferred Stock.

SANUWAVE HEALTH, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018

15.
Warrants

A summary of the warrant activity as of March 31, 2018 and December 31, 2017, and the changes during the three months ended March 31, 2018, is presented as follows:

Warrant class	Outstanding as of December 31, 2017	Issued	Exercised	Expired	Outstanding as of March 31, 2018
Class F Warrants	300,000	-	-	(300,000)	-
Class G Warrants	1,503,409	-	-	-	1,503,409
Class H Warrants	1,988,095	-	-	-	1,988,095
Class I Warrants	1,043,646	-	-	-	1,043,646
Class K Warrants	7,200,000	-	-	-	7,200,000
Class L Warrants	63,898,173	-	(1,100,000)	-	62,798,173
Class N Warrants	13,943,180	14,509,090	-	-	28,452,270
Class O Warrants	6,540,000	-	(100,000)	-	6,440,000
Series A Warrants	1,561,348	-	(405,666)	-	1,155,682
	97,977,851	14,509,090	(1,605,666)	(300,000)	110,581,275

A summary of the warrant exercise price per share and expiration date is presented as follows:

	Exercise price/share	Expiration date
Class G Warrants	$0.80	July 2018
Class H Warrants	$0.80	July 2018

Class I Warrants	$0.85	September 2018
Class K Warrants	$0.08	June 2025
Class K Warrants	$0.11	August 2027
Class L Warrants	$0.08	March 2019
Class N Warrants	$0.11	March 2019
Class O Warrants	$0.11	March 2019
Series A Warrants	$0.03	March 2019

The exercise price and the number of shares covered by the warrants will be adjusted if the Company has a stock split, if there is a recapitalization of the Company’s common stock, or if the Company consolidates with or merges into another company.

F-15

SANUWAVE HEALTH, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018

15.
Warrants (continued)

The exercise price of the Class K Warrants and the Series A Warrants are subject to a “down-round” anti-dilution adjustment if the Company issues or is deemed to have issued certain securities at a price lower than the then applicable exercise price of the warrants. The exercise price of the Series A Warrants was adjusted to $0.0334 due to the 2016 Equity Offering. The Class K Warrants may be exercised on a physical settlement or on a cashless basis. The Series A Warrants may be exercised on a physical settlement basis if a registration statement underlying the warrants is effective. If a registration statement is not effective (or the prospectus contained therein is not available for use) for the resale by the holder of the Series A Warrants, then the holder may exercise the warrants on a cashless basis.

In June 2015, the Company, in connection with the Note Amendment (see Note 10), issued to HealthTronics, Inc. an aggregate total of 3,310,000 Class K Warrants to purchase shares of the Company’s common stock, $0.001 par value, at an exercise price of $0.55 per share, subject to certain anti-dilution protection. Each Class K Warrant represents the right to purchase one share of Common Stock. The warrants vested upon issuance and expire after ten years.

In June 2016, the Company, in connection with the Second Amendment (see Note 10), issued to HealthTronics, Inc., an additional 1,890,000 Class K Warrants to purchase shares of the Company’s Common Stock at an exercise price of $0.08 per share, subject to certain anti-dilution protection. The exercise price of the 3,310,000 Class K Warrants issued on June 15, 2015 was decreased to $0.08 per share. The warrants vested upon issuance and expire after ten years.

In August 2017, the Company, in connection with the Third Amendment (see Note 10), issued to HealthTronics, Inc., an additional 2,000,000 Class K Warrants to purchase shares of the Company’s Common Stock at an exercise price of $0.11 per share, subject to certain anti-dilution protection. The warrants vested upon issuance and expire after ten years.

On November 30, 2017, the Company issued Class O Warrant Agreements to a vendor to purchase 2,500,000 shares of common stock at an exercise price of $0.11 per share. Each Class O Warrant represents the right to purchase one share of Common Stock. The estimated fair value of the Class O Warrants at the grant date was $174,731 and was recorded as general and administrative expense and an increase to additional paid-in capital. The warrants vested upon issuance and expire on March 17, 2019.

On December 6, 2017, the Company issued Class O Warrant Agreements to a vendor to purchase 100,000 shares of common stock at an exercise price of $0.11 per share. Each Class O Warrant represents the right to purchase one share of Common Stock. The estimated fair value of the Class O Warrants at the grant date was $8,125 and was recorded as general and administrative expense and an increase to additional paid-in capital. The warrants vested upon issuance and expire on March 17, 2019.

On December 11, 2017, the Company issued Class O Warrant Agreements to active employees, independent contractors, members of the board of directors and members of the medical advisory boards to purchase 3,940,000 shares of common stock at an exercise price of $0.11 per share. Each Class O Warrant represents the right to purchase one share of Common Stock. The estimated fair value of the Class O Warrants at the grant date was $285,810 and was recorded as research and development expense in the amount of $98,655 and general and administrative expense in the amount of $187,155 and an increase to additional paid-in capital for the full amount of $285,810. The warrants vested upon issuance and expire on March 17, 2019. Kevin A. Richardson II and A. Michael Stolarski, both members of the Company's board of directors and existing shareholders of the Company, were issued 640,000 and 200,000 warrants, respectively. John Nemelka, Alan Rubino and Maj-Britt Kaltoft, members of the Company's board of directors, were each issued 200,000 warrants. Lisa E. Sundstrom, an officer of the Company was issued 440,000 warrants as well as other employees of the Company.

F-16

SANUWAVE HEALTH, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018

15.
Warrants (continued)

The Class K Warrants, the Series A Warrants and the Series B Warrants are derivative financial instruments. The estimated fair value of the Class K Warrants at the date of grant was $36,989 and recorded as debt discount, which is accreted to interest expense through the maturity date of the related notes payable, related parties. The estimated fair values of the Series A Warrants and the Series B Warrants at the date of grant were $557,733 for the warrants issued in conjunction with the 2014 Private Placement and $47,974 for the warrants issued in conjunction with the 18% Convertible Promissory Notes. The fair value of the Series A Warrants and Series B Warrants were recorded as equity issuance costs in 2014, a reduction of additional paid-in capital. The Series B Warrants expired unexercised in March 2015.

The estimated fair values were determined using a binomial option pricing model based on various assumptions. The Company's derivative liabilities are adjusted to reflect estimated fair value at each period end, with any decrease or increase in the estimated fair value being recorded in other income or expense accordingly, as adjustments to the fair value of derivative liabilities. Various factors are considered in the pricing models the Company uses to value the warrants, including the Company's current common stock price, the remaining life of the warrants, the volatility of the Company's common stock price, and the risk-free interest rate. In addition, as of the valuation dates, management assessed the probabilities of future financing and other re-pricing events in the binominal valuation models.

A summary of the changes in the warrant liability as of March 31, 2018 and December 31, 2017, and the changes during the three months ended March 31, 2018, is presented as follows:

	Class K Warrants	Series A Warrants	Total
Warrant liability as of December 31, 2017	1,616,000	327,883	1,943,883
Issued	-	-	-
Redeemed	-	(118,838)	(118,838)
Change in fair value	2,628,000	345,682	2,973,682
Warrant liability as of March 31, 2018	$4,244,000	$554,727	$4,798,727

16.
Commitments and contingencies

Rent expense for the three months ended March 31, 2018 and 2017, was $35,882 and $33,107, respectively. Minimum future lease payments under the operating lease consist of the following:

Year ending December 31,

	Amount
Remainder of 2018	$104,788
2019	143,318
2020	147,617
2021	152,046
Total	$547,769

SANUWAVE HEALTH, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018

16.
Commitments and contingencies (continued)

Contingency

The Company entered into an Agreement for Purchase and Sale, Limited Exclusive Distribution and Royalties, and Servicing and Repairs with Premier Shockwave Wound Care, Inc., a Georgia Corporation and Premier Shockwave, Inc., a Georgia Corporation that contains provisions whereby in the event of a change of control of the Company (as defined in the agreement), the stockholders of Premier Shockwave Wound Care, Inc. have the right and option to cause the Company to purchase all of the stock of Premier Shockwave Wound Care, Inc., and whereby the Company has the right and option to purchase all issued and outstanding shares of Premier Shockwave Wound Care, Inc., in each case based upon certain defined purchase price provisions and other terms.

Litigation

The Company is engaged in various legal actions, claims and proceedings arising in the ordinary course of business, including claims related to breach of contracts and intellectual property matters resulting from our business activities. As with most actions such as these, an estimation of any possible and/or ultimate liability cannot always be determined.

There are no material proceedings known to us to be contemplated by any governmental authority.

There are no material proceedings known to us, pending or contemplated, in which any of our directors, officers or affiliates or any of our principal security holders, or any associate of any of the foregoing, is a party or has an interest adverse to us.

17.
Revenue

The Company began accounting for revenue in accordance with Topic 606, which we adopted beginning January 1, 2018, using the modified retrospective method. Under the new revenue standard for arrangements that are determined to be within the scope of Topic 606, the Company recognizes revenue when a customer obtains control of the promised goods. To achieve this core principle, we apply the following the five-step model:

1.
Identify the contract(s) with a customer. A contract with a customer exists when (i) we enter into an enforceable contract with a customer that defines each party’s rights regarding the goods to be transferred and identifies the payment terms related to these goods, (ii) the contract has commercial substance and, (iii) we determine that collection of substantially all consideration for services that are transferred is probable based on the customer’s intent and ability to pay the promised consideration. We do not have significant costs to obtain contracts with customers.
2.
Identify the performance obligation(s) in the contract. Our contracts include multiple performance obligations to be completed. Our performance obligations to deliver medical devices and related components are completed when shipment of these items has been made to the customer. Other performance obligations are completed over a period of time. Limited warranties are provided and extended warranties are offered, under which we typically accept returns

and provide either replacement parts or refunds.
3.
Determine the transaction price. Payment by the customer is due under customary fixed payment terms, and we evaluate if collectability is reasonably assured. The methodology for which we estimate and recognize variable consideration is consistent with the requirements of ASC 606. Revenue is recorded at the net sales prices, which includes estimates of variable consideration such as initial warranty, tiered volume pricing, and other adjustments as noted in customer contracts. The estimates of variable consideration are based on historical and projected sales data and current contract sales terms.
4.
Allocate the transaction price to the performance obligations in the contract. Our contracts include multiple performance obligations to be completed. We recognize revenue upon shipment of medical devices and related components to the customer. We recognize revenue for services over the period of time of the service.
5.
Recognize revenue when (or as) the Company satisfies a performance obligation. We satisfy performance obligations at a point in time upon shipment of goods. We satisfy service related performance obligations over a period of time. Each performance obligation is satisfied in accordance with the terms of each contract with the customer.

There were changes to judgments that affect the determination of the amount and timing of revenue from the adoption of the new guidance. As a result of the adoption of ASC 606, the Company has recorded Contract assets and Contract liabilities. Contract assets primarily represent the difference between the revenue that was earned but not billed on refurbishment license fees and timing difference on revenue from distribution license that is recognized on a straight-line basis but paid in accordance with the terms of the customer contract. Contract liabilities are primarily related to warranties, service contracts, distribution license and tiered volume pricing on medical devices and refurbishment license fee. The revenue recognized under ASC 606 was immaterially different from the revenue recognized under ASC 605.

Disaggregation of Revenue

The disaggregation of revenue is based on type of product and geographical region. The following table presents revenue from contracts with customers for the three months ended March 31, 2018 and 2017:

	Three months ended March 31, 2018			Three months ended March 31, 2017		
	United States	International	Total	United States	International	Total
Devices	$106,447	$33,031	$139,478	$-	$62,210	$62,210
Applicators - new and refurbished	10,000	87,939	97,939	-	72,040	72,040
Distribution license	-	63,334	63,334	-	-	-
License fees	6,250	14,532	20,782	6,250	-	6,250
Warranty and repair	-	10,269	10,269	-	-	-
Other	-	3,452	3,452	-	2,504	2,504
Freight billed	-	9,018	9,018	-	6,565	6,565
	$122,697	$221,575	$344,272	$6,250	$143,319	$149,569

F-18

SANUWAVE HEALTH, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018

18.
Related party transactions

On February 13, 2018, the Company entered into an Agreement for Purchase and Sale, Limited Exclusive Distribution and Royalties, and Servicing and Repairs with Premier Shockwave Wound Care, Inc., a Georgia Corporation (“PSWC”), and Premier Shockwave, Inc., a Georgia Corporation (“PS”). The agreement provides for the purchase by PSWC and PS of dermaPACE System and related equipment sold by the Company and includes a minimum purchase of 100 units over 3 years. The agreement grants PSWC and PS limited but exclusive distribution rights to provide dermaPACE Systems to certain governmental healthcare facilities in exchange for the payment of certain royalties to the Company. Under the agreement, the Company is responsible for the servicing and repairs of such dermaPACE Systems and equipment. The agreement also contains provisions whereby in the event of a change of control of the Company (as defined in the agreement), the stockholders of PSWC have the right and option to cause the Company to purchase all of the stock of PSWC, and whereby the Company has the right and option to purchase all issued and outstanding shares of PSWC, in each case based upon certain defined purchase price provisions and other terms. The agreement also contains certain transfer restrictions on the stock of PSWC. Each of PS and PSWC is owned by A. Michael Stolarski, a member of the Company’s board of directors and an existing shareholder of the Company.

During the period ended March 31, 2018, the Company recorded $116,447 in revenue from this related party. The Contract liabilities balance includes a balance of $48,553 and the Accrued expenses balance includes a balance of $10,000 from this related party.

19.
Stock-based compensation

On November 1, 2010, the Company approved the Amended and Restated 2006 Stock Incentive Plan of SANUWAVE Health, Inc. effective as of January 1, 2010 (the “Stock Incentive Plan”). The Stock Incentive Plan permits grants of awards to selected employees, directors and advisors of the Company in the form of restricted stock or options to purchase shares of common stock. Options granted may include non-statutory options as well as qualified incentive stock options. The Stock Incentive Plan is administered by the board of directors of the Company. The Stock Incentive Plan gives broad powers to the board of directors of the Company to administer and interpret the particular form and conditions of each option. The stock options granted under the Stock Incentive Plan are non-statutory options which generally vest over a period of up to three years and have a ten year term. The options are granted at an exercise price determined by the board of directors of the Company to be the fair market value of the common stock on the date of the grant. At March 31, 2018 and December 31, 2017, the Stock Incentive Plan reserved 22,500,000 shares of common stock for grant.

On June 15, 2017, the Company granted to the active employees, members of the board of directors and members of the Company’s Medical Advisory Board options to purchase 5,550,000 shares each of the Company’s common stock at an exercise price of $0.11 per share and vested upon issuance. Using the Black-Scholes option pricing model, management has determined that the options had a fair value per share of $0.0869 resulting in compensation expense of $482,295. Compensation cost was recognized upon grant.

The fair value of each option award is estimated on the date of grant using the Black-Scholes option pricing model using the following weighted average assumptions for the year ended December 31, 2017:

	2017
Weighted average expected life in years	5.0
Weighted average risk free interest rate	1.76%
Weighted average volatility	120.00%
Forfeiture rate	0.0%
Expected dividend yield	0.0%

The Company recognized as compensation cost for all outstanding stock options granted to employees, directors and advisors, $0 for each of the three months ended March 31, 2018 and 2017.

A summary of option outstanding as of March 31, 2018 and December 31, 2017, and the changes during the three months ended March 31, 2018, is presented as follows:

	Options	Weighted Average Exercise Price per share
Outstanding at December 31, 2017	21,593,385	$0.31
Granted	-	$-
Exercised	-	$-
Forfeited or expired	-	$-
Outstanding at March 31, 2018	21,593,385	$0.31
Vested and exercisable at March 31, 2018	21,593,385	$0.31

F-19

SANUWAVE HEALTH, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018

19.
Stock-based compensation (continued)

The range of exercise prices for options was $0.04 to $2.00 for options outstanding at March 31, 2018 and December 31, 2017, respectively. The aggregate intrinsic value for all vested and exercisable options was $6,890,735 and $2,073,641 at March 31, 2018 and December 31, 2017, respectively.

The weighted average remaining contractual term for outstanding exercisable stock options was 7.12 and 7.37 years as of March 31, 2018 and December 31, 2017, respectively.

20.
Earnings (loss) per share

The Company calculates net income (loss) per share in accordance with ASC 260, Earnings Per Share. Under the provisions of ASC 260, basic net income (loss) per share is computed by dividing the net income (loss) attributable to common stockholders for the period by the weighted average number of shares of common stock outstanding for the period. Diluted net income (loss) per share is computed by dividing the net income (loss) attributable to common stockholders by the weighted average number of shares of common stock and dilutive common stock equivalents then outstanding. To the extent that securities are “anti-dilutive,” they are excluded from the calculation of diluted net income (loss) per share.

As a result of the net loss for the three months ended March 31, 2018 and 2017, all potentially dilutive shares were anti-dilutive and therefore excluded from the computation of diluted net loss per share. The anti-dilutive equity securities totaled 132,174,660 shares and 92,323,468 shares at March 31, 2018 and 2017, respectively.

21.
Subsequent events

Conversion of 10% Convertible Promissory Notes

On May 9, 2018, the Company issued 5,335,919 shares of restricted common stock upon the conversion of 10% Convertible Promissory Notes in the amount of $571,000 plus accrued interest of $15,951 at the conversion price of $0.11 per share per the 10% Convertible Promissory Notes agreement.

On April 16, 2018, the Company issued 560,808 shares of restricted common stock upon the conversion of 10% Convertible Promissory Notes in the amount of $60,000 plus accrued interest of $1,689 at the conversion price of $0.11 per share per the 10% Convertible Promissory Notes agreement.

Warrant Exercise

On April 20, 2018, the Company issued 227,273 shares of restricted common stock upon the exercise of 227,273 Class N Warrants to purchase shares of stock for $0.11 per share under the terms of the Class N Warrant agreement.

Cashless Warrant Exercise

On April 13, 2018, the Company issued 3,241,395 shares of common stock upon the cashless exercise of 3,733,167 Class L Warrants to purchase shares of stock for $0.08 per share based on a current market value of $0.6073 per share as determined under the terms of the Class L Warrant agreement.

On April 10, 2018, the Company issued 90,142 shares of common stock upon the cashless exercise of 106,667 Class L Warrants to purchase shares of stock for $0.08 per share based on a current market value of $0.5164 per share as determined under the terms of the Class L Warrant agreement.

On April 9, 2018, the Company issued 59,020 shares of common stock upon the cashless exercise of 70,000 Class L Warrants to purchase shares of stock for $0.08 per share based on a current market value of $0.51 per share as determined under the terms of the Class L Warrant agreement.

SANUWAVE HEALTH, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018

21.
Subsequent events (continued)

On April 9, 2018, the Company issued 813,267 shares of common stock upon the cashless exercise of 990,500 Class L Warrants to purchase shares of stock for $0.08 per share based on a current market value of $0.4471 per share as determined under the terms of the Class L Warrant agreement.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of SANUWAVE Health, Inc. and Subsidiaries (the “Company”) as of December 31, 2017 and 2016 and the related consolidated statements of comprehensive loss, stockholders’ deficit, and cash flows for the years then ended, and the related notes (collectively referred to as the financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Substantial Doubt about the Company's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note (1) to the consolidated finacial statements, the Company has suffered recurring losses from operations and is dependent upon future issuances of equity or other financing to fund ongoing operations, both of which raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are described in Note (1). The conolidated financial statements do not include any adjustments that might result for the outcome of this uncertainty.

Basis for Opinion

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

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

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

CHERRY BEKAERT LLP

We have served as the Company’s auditor since 2016.

Atlanta, Georgia
March 29, 2018

F-22

Explanation of Responses:

SANUWAVE HEALTH, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2017 and 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$730,184	$133,571
Accounts receivable, net of allowance for doubtful accounts of $92,797 in 2017 and $35,196 in 2016	152,520	460,799
Inventory, net (Note 3)	231,532	231,953
Prepaid expenses	90,288	87,823
TOTAL CURRENT ASSETS	1,204,524	914,146
PROPERTY AND EQUIPMENT, net (Note 4)	60,369	76,938
OTHER ASSETS	13,917	13,786
TOTAL ASSETS	$1,278,810	$1,004,870
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$1,496,523	$712,964
Accrued expenses (Note 6)	673,600	375,088
Accrued employee compensation	1,680	64,860
Advances from related and unrelated parties (Note 7)	310,000	-
Line of credit, related parties (Note 8)	370,179	-
Convertible promissory notes, net (Note 9)	455,606	-
Interest payable, related parties (Note 10)	685,907	109,426
Short term loan, net (Note 11)	-	47,440
Warrant liability (Note 15)	1,943,883	1,242,120
Notes payable, related parties, net (Note 10)	5,222,259	5,364,572
TOTAL CURRENT LIABILITIES	11,159,637	7,916,470
TOTAL LIABILITIES	11,159,637	7,916,470
COMMITMENTS AND CONTINGENCIES (Note 16)		
STOCKHOLDERS' DEFICIT		
PREFERRED STOCK, SERIES A CONVERTIBLE, par value $0.001, 6,175 authorized; 6,175 shares issued and 0 shares outstanding in 2017 and 2016 (Note 14)	-	-
PREFERRED STOCK, SERIES B CONVERTIBLE, par value $0.001,		

293 authorized; 293 shares issued and 0 shares outstanding in 2017 and 2016, respectively (Note 14)	-	-
PREFERRED STOCK - UNDESIGNATED, par value $0.001, 4,993,532 shares authorized; no shares issued and outstanding (Note 14)	-	-
COMMON STOCK, par value $0.001, 350,000,000 shares authorized; 139,300,122 and 137,219,968 issued and outstanding in 2017 and 2016, respectively (Note 13)	139,300	137,220
ADDITIONAL PAID-IN CAPITAL	94,995,040	92,436,697
ACCUMULATED DEFICIT	(104,971,384)	(99,433,448)
ACCUMULATED OTHER COMPREHENSIVE LOSS	(43,783)	(52,069)
TOTAL STOCKHOLDERS' DEFICIT	(9,880,827)	(6,911,600)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$1,278,810	$1,004,870

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

F-23

SANUWAVE HEALTH, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

Years Ended December 31, 2017 and 2016

	2017	2016
REVENUES	$738,527	$1,376,063
COST OF REVENUES (exclusive of depreciation and amortization shown below)	241,970	565,129
OPERATING EXPENSES		
Research and development	1,292,531	1,128,640
General and administrative	3,004,403	2,673,773
Depreciation	24,069	19,858
Amortization	-	306,756
Gain of sale of assets, property and equipment	-	(1,594)
TOTAL OPERATING EXPENSES	4,321,003	4,127,433
OPERATING LOSS	(3,824,446)	(3,316,499)
OTHER INCOME (EXPENSE)		
Loss on warrant valuation adjustment and conversion	(568,729)	(2,223,718)
Interest expense, net	(1,139,711)	(854,980)
Loss on foreign currency exchange	(5,050)	(12,329)
TOTAL OTHER INCOME (EXPENSE), NET	(1,713,490)	(3,122,541)
NET LOSS	(5,537,936)	(6,439,040)
OTHER COMPREHENSIVE INCOME (LOSS)		
Foreign currency translation adjustments	8,286	(18,907)
TOTAL COMPREHENSIVE LOSS	$(5,529,650)	$(6,457,947)

LOSS PER SHARE:		
Net loss - basic and diluted	$(0.04)	$(0.06)
Weighted average shares outstanding - basic and diluted	138,838,602	107,619,869

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

Explanation of Responses:

SANUWAVE HEALTH, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
Years Ended December 31, 2017 and 2016

	Preferred Stock		Common Stock					
	Number of Shares Issued and Outstanding	Par Value	Number of Shares Issued and Outstanding	Par Value	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balances as of December 31, 2015	-	$-	63,056,519	$63,057	$87,086,677	$(92,994,408)	$(33,162)	$(5,877,836)
Net loss	-	-	-	-	-	(6,439,040)	-	(6,439,040)
Series A Warrant conversion to stock	293	-	7,447,954	7,447	880,971	-	-	888,418
Equity Offering	-	-	30,016,670	30,017	1,566,838	-	-	1,596,855
Preferred stock conversion	(293)	-	3,657,278	3,657	(3,657)	-	-	-
Peak One - Convertible Debenture	-	-	835,000	835	49,265	-	-	50,100
PIPE Offering	-	-	28,300,001	28,300	1,499,900	-	-	1,528,200

Warrant exercise	-	-	843,333	843	66,623	-	-	67,466
Cashless warrant conversion	-	-	2,627,821	2,628	263,093	-	-	265,721
Shares issued for services	-	-	435,392	436	43,104	-	-	43,540
Stock-based compensation - options	-	-	-	-	547,842	-	-	547,842
Beneficial conversion feature on debt	-	-	-	-	191,231	-	-	191,231
Warrants issued for services	-	-	-	-	186,410	-	-	186,410
Warrants issued with short term loan	-	-	-	-	58,400	-	-	58,400
Foreign currency translation adjustment	-	-	-	-	-	-	(18,907)	(18,907)
Balances as of December 31, 2016	-	-	137,219,968	137,220	92,436,697	(99,433,448)	(52,069)	(6,911,600)
Net loss	-	-	-	-	-	(5,537,936)	-	(5,537,936)
Warrant exercise	-	-	1,163,333	1,163	91,903	-	-	93,066
Cashless warrant exercise	-	-	866,625	867	66,100	-	-	66,967
Shares issued for services	-	-	50,196	50	7,950	-	-	8,000
Warrants issued for services	-	-	-	-	182,856	-	-	182,856
Stock-based compensation - options and warrants	-	-	-	-	768,105	-	-	768,105
Warrants issued with convertible promissory note	-	-	-	-	620,748	-	-	620,748
Beneficial conversion	-	-	-	-	820,681	-	-	820,681

feature on debt								
Foreign currency translation adjustment	-	-	-	-	-	-	8,286	8,286
Balances as of December 31, 2017	-	$-	139,300,122	$139,300	$94,995,040	$(104,971,384)	$(43,783)	$(9,880,827)

The accompanying notes to consolidated financialstatements are an integral part of these statements.

Explanation of Responses:

SANUWAVE HEALTH, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$(5,537,936)	$(6,439,040)
Adjustments to reconcile loss from continuing operations to net cash used by operating activities		
Amortization	-	306,756
Depreciation	24,069	19,858
Change in allowance for doubtful accounts	57,601	26,233
Stock-based compensation - employees, directors and advisors	768,105	547,842
Loss on warrant valuation adjustment	568,729	2,223,718
Amortization of debt issuance costs	431,087	225,786
Warrants issued for services	182,856	186,410
Amortization of debt discount	110,247	31,514
Stock issued for consulting services	8,000	43,540
Loss on conversion option of promissory notes payable	-	75,422
Stock issued with convertible debenture	-	50,100
Gain on sale of asset, property and equipment	-	(1,594)
Changes in assets - (increase)/decrease		
Accounts receivable - trade	250,678	(412,578)
Inventory	(7,079)	(29,249)
Prepaid expenses	(2,465)	36,165
Other	(131)	(2,689)
Changes in liabilities - increase/(decrease)		
Accounts payable	783,559	203,698
Accrued expenses	298,512	15,714
Accrued employee compensation	(63,180)	(176,682)
Accrued interest	21,896	-
Interest payable, related parties	576,481	(130,377)
NET CASH USED BY OPERATING ACTIVITIES	(1,528,971)	(3,199,453)
CASH FLOWS FROM INVESTING ACTIVITIES		

Proceeds from sale of property and equipment	-	1,594
Purchases of property and equipment	-	(10,364)
NET CASH USED BY INVESTING ACTIVITIES	-	(8,770)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from convertible promissory notes, net	1,384,232	106,000
Proceeds from line of credit, related party	370,000	-
Advances from related parties	310,000	-
Proceeds from warrant exercise	93,066	67,466
Proceeds from 2016 Public Offering, net	-	1,596,855
Proceeds from 2016 Private Offering, net	-	1,528,200
Proceeds from convertible debenture, net	-	175,000
Proceeds from short term loan	-	100,000
Payment of short term loan	(40,000)	-
Payment of convertible promissory notes	-	(155,750)
Payment of convertible debenture	-	(210,000)
NET CASH PROVIDED BY FINANCING ACTIVITIES	2,117,298	3,207,771
EFFECT OF EXCHANGE RATES ON CASH	8,286	(18,907)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	596,613	(19,359)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	133,571	152,930
CASH AND CASH EQUIVALENTS, END OF PERIOD	$730,184	$133,571
SUPPLEMENTAL INFORMATION		
Cash paid for interest, related parties	$-	$630,549
NONCASH INVESTING AND FINANCING ACTIVITIES		
Stock issued with convertible debenture	$-	$50,100
Stock issued for services	$8,000	$43,540
Loss on warrant conversion to stock	$-	$888,418
Beneficial conversion feature on convertible promissory notes	820,681	66,331
Beneficial conversion feature on convertible debenture	-	124,900
Beneficial conversion feature on convertible debt	$820,681	$191,231
Warrants issued for services	$182,856	$186,410
Warrants issued with convertible promissory note	$620,748	$-
Warrants issued for short tem loan	-	58,400
Warrants issued for debt	$620,748	$58,400

The accompanying notes to consolidated financial

statements are
an integral part
of these
statements.

F-26

Explanation of Responses:

SANUWAVE HEALTH, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2017 and 2016

1.
Going Concern

As shown in the accompanying consolidated financial statements, SANUWAVE Health, Inc. and Subsidiaries (the “Company”) incurred a net loss of $5,537,936 and $6,439,040 during the years ended December 31, 2017 and 2016, respectively, and the net cash used by operating activities was $1,528,971 and $3,199,453, respectively. As of December 31, 2017, the Company had a net working capital deficit of $9,955,113, total stockholders’ deficit of $9,880,827 and cash and cash equivalents of $730,184. These factors create an uncertainty about the Company’s ability to continue as a going concern.

The Company does not currently generate significant recurring revenue and will require additional capital during the second quarter of 2018. Although no assurances can be given, management of the Company believes that existing capital resources should enable the Company to fund operations into the second quarter of 2018.

The continuation of the Company’s business is dependent upon raising additional capital during the second quarter of 2018 and potentially into 2019 to fund operations. Management’s plans are to obtain additional capital in 2018 through investments by strategic partners for market opportunities, which may include strategic partnerships or licensing arrangements, or raise capital through the conversion of outstanding warrants, the issuance of common or preferred stock, securities convertible into common stock, or secured or unsecured debt. These possibilities, to the extent available, may be on terms that result in significant dilution to the Company’s existing shareholders. Although no assurances can be given, management of the Company believes that potential additional issuances of equity or other potential financing transactions as discussed above should provide the necessary funding for the Company to continue as a going concern. If these efforts are unsuccessful, the Company may be forced to seek relief through a filing under the U.S. Bankruptcy Code. The consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

2.
Summary of significant accounting policies

Description of the business – The Company is a shock wave technology company using a patented system of noninvasive, high-energy, acoustic shock waves for regenerative medicine and other applications. The Company’s initial focus is regenerative medicine – utilizing noninvasive, acoustic shock waves to produce a biological response resulting in the body healing itself through the repair and regeneration of tissue, musculoskeletal and vascular structures. The Company’s lead regenerative product in the United States is the dermaPACE® device, used for treating diabetic foot ulcers, which was subject to two double-blinded, randomized Phase III clinical studies. On December 28, 2018, the U.S. Food and Drug Administration (the "FDA") notified the Companyto permit the marketing of the dermaPACE System for the treatment of diabetic foot ulcers in the United States. In 2018, the Company plans to begin marketing its dermaPACE System for sale in the United States and will continue to generate revenue from sales of the European Conformity Marking (CE Mark) devices and accessories in Europe, Canada, Asia, and Asia/Pacific.

The significant accounting policies followed by the Company are summarized below:

Foreign currency translation - The functional currencies of the Company’s foreign operations are the local currencies. The financial statements of the Company’s foreign subsidiary have been translated into United States dollars in accordance with ASC 830, Foreign Currency Matters, Foreign Currency Translation. All balance sheet accounts have been translated using the exchange rates in effect at the balance sheet date. Income statement amounts have been translated using the average exchange rate for the year. Translation adjustments are reported in other comprehensive loss in the consolidated statements of comprehensive loss and as cumulative translation adjustments in accumulated other comprehensive income (loss) in the consolidated statements of stockholders' deficit.

Principles of consolidation - The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Explanation of Responses:

SANUWAVE HEALTH, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2017 and 2016

2.
Summary of significant accounting policies (continued)

Estimates – These consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America. Because a precise determination of assets and liabilities, and correspondingly revenues and expenses, depend on future events, the preparation of consolidated financial statements for any period necessarily involves the use of estimates and assumptions. Actual amounts may differ from these estimates. These consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized herein. Significant estimates include the recording of allowances for doubtful accounts, estimated reserves for inventory, valuation of derivatives, accrued expenses, the determination of the valuation allowances for deferred taxes, estimated fair value of stock-based compensation, and estimated fair value of warrants and warrant liabilities.

Cash and cash equivalents - For purposes of the consolidated financial statements, liquid instruments with an original maturity of 90 days or less when purchased are considered cash and cash equivalents. The Company maintains its cash in bank accounts which may exceed federally insured limits.

Concentration of credit risk and limited suppliers - Management routinely assesses the financial strength of its customers and, as a consequence, believes accounts receivable are stated at the net realizable value and credit risk exposure is limited. Three distributors accounted for 8%, 38% and 24% of revenues for the year ended December 31, 2017, and 69%, 17% and 0% of accounts receivable at December 31, 2017. Two distributors accounted for 50% and 32% of revenues for the year ended December 31, 2016, and 87% and 10% of accounts receivable at December 31, 2016.

We depend on suppliers for product component materials and other components that are subject to stringent regulatory requirements. We currently purchase most of our product component materials from single suppliers and the loss of any of these suppliers could result in a disruption in our production. If this were to occur, it may be difficult to arrange a replacement supplier because certain of these materials may only be available from one or a limited number of sources. In addition, establishing additional or replacement suppliers for these materials may take a substantial period of time, as certain of these suppliers must be approved by regulatory authorities.

Accounts receivable - Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings based on its assessment of the current status of individual accounts. Receivables are generally considered past due if greater than 60 days old. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts.

Inventory - Inventory consists of finished medical equipment and parts and is stated at the lower of cost or market, which is valued using the first in, first out ("FIFO") method. Market is based upon realizable value less allowance for selling and distribution expenses. The Company analyzes its inventory levels and writes down inventory that has, or is expected to, become obsolete.

Depreciation of property and equipment - The straight-line method of depreciation is used for computing depreciation on property and equipment. Depreciation is based on estimated useful lives as follows: machines and equipment, 3 years; old or used devices, 5 years; new devices, 15 years; office and computer equipment, 3 years; furniture and fixtures, 3 years; and software, 2 years.

F-28

SANUWAVE HEALTH, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2017 and 2016

2.
Summary of significant accounting policies (continued)

Intangible assets - Intangible assets subject to amortization consist of patents which are recorded at cost. Patents are amortized on a straight-line basis over 11.4 years. The Company regularly reviews intangible assets to determine if facts and circumstances indicate that the useful life is shorter than the Company originally estimated or that the carrying amount of the assets may not be recoverable. Factors the Company considers important and could trigger an impairment review include the following:

Significant changes in the manner in which the Company uses its assets or significant changes in the Company's overall business strategy; and

Significant underperformance of the Company's assets relative to future operating results.

If such facts and circumstances exist, the Company assesses the recoverability of the intangible assets by comparing the projected undiscounted net cash flows associated with the related asset or group of assets over their remaining lives against their respective carrying amounts. If recognition of an impairment charge is necessary, it is measured as the amount by which the carrying amount of the intangible asset exceeds its fair value.

Fair value of financial instruments - The book values of accounts receivable, accounts payable, and other financial instruments approximate their fair values, principally because of the short-term maturities of these instruments.

The Company has adopted ASC 820-10, Fair Value Measurements, which defines fair value, establishes a framework for measuring fair value and requires disclosures about fair value measurements. The framework that is set forth in this standard is applicable to the fair value measurements where it is permitted or required under other accounting pronouncements.

The ASC 820-10 hierarchy ranks the quality and reliability of inputs, or assumptions, used in the determination of fair value and requires financial assets and liabilities carried at fair value to be classified and disclosed in one of the following three categories:

Level 1 - Observable inputs that reflect quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 - Unobservable inputs that are not corroborated by market data, therefore requiring the Company to develop its own assumptions.

The Company accounts for derivative instruments under ASC 815, Accounting for Derivative Instruments and Hedging Activities, as amended and interpreted. ASC 815 requires that the Company recognize all derivatives on the balance sheet at fair value. The fair value of the warrant liability is determined based on a lattice solution, binomial approach pricing model, and includes the use of unobservable inputs such as the expected term, anticipated volatility and risk-free interest rate, and therefore is classified within level 3 of the fair value hierarchy.

The following table sets forth a summary of changes in the fair value of the derivative liability for the year ended December 31, 2017:

	Warrant Liability
Balance at December 31, 2016	$1,242,120
New issuances	200,000
Redemptions	(66,966)
Change in fair value	568,729
Balance at December 31, 2017	$1,943,883

The Company's notes payable, related parties had an aggregate outstanding principal balance of $5,222,259, net of $150,484 debt discount at December 31, 2017 and $5,364,572, net of $8,171 debt discount at December 31, 2016, respectively. Interest accrues on the notes at a rate of ten percent per annum, effective January 2, 2017 due to interest payments being in default. The fair value was determined using estimated future cash flows discounted at current rates, which is a Level 3 measurement. The estimated fair value of the Company's notes payable, related parties was $5,488,720 and $4,923,723 at December 31, 2017 and 2016, respectively.

SANUWAVE HEALTH, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2017 and 2016

2.
Summary of significant accounting policies (continued)

Impairment of long-lived assets – The Company reviews long-lived assets for impairment whenever facts and circumstances indicate that the carrying amounts of the assets may not be recoverable. An impairment loss is recognized only if the carrying amount of the asset is not recoverable and exceeds its fair value. Recoverability of assets to be held and used is measured by comparing the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the asset's carrying value is not recoverable, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds its fair value. The Company determines fair value by using a combination of comparable market values and discounted cash flows, as appropriate.

Revenue recognition - Sales of medical devices, including related applicators, are recognized when shipped to the customer. Shipments under agreements with distributors are invoiced at a fixed price, are not subject to return, and payment for these shipments is not contingent on sales by the distributor. The Company recognizes revenues on shipments to distributors in the same manner as with other customers. Fees from services performed are recognized when the service is performed. Fees for upfront distribution license agreements will be recognized as identified performance obligations are satisfied.

Shipping and handling costs - Shipping charges billed to customers are included in revenues. Shipping and handling costs incurred have been recorded in cost of revenues.

Income taxes - Income taxes are accounted for utilizing the asset and liability method prescribed by the provisions of ASC 740, Income Taxes, Accounting for Income Taxes. Deferred tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is provided for the deferred tax assets, including loss carryforwards, when it is more likely than not that some portion or all of a deferred tax asset will not be realized.

A provision of ASC 740, Income Taxes, Accounting for Uncertainty in Income Taxes (FIN 48) specifies the way public companies are to account for uncertainties in income tax reporting, and prescribes a methodology for recognizing, reversing, and measuring the tax benefits of a tax position taken, or expected to be taken, in a tax return. ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions would "more-likely-than-not" be sustained if challenged by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year.

The Company will recognize in income tax expense interest and penalties related to income tax matters. For the years ended December 31, 2017 and 2016, the Company did not have any amounts recorded for interest and penalties.

Loss per share - The Company calculates net income (loss) per share in accordance with ASC 260, Earnings Per Share. Under the provisions of ASC 260, basic net income (loss) per share is computed by dividing the net income (loss) attributable to common stockholders for the period by the weighted average number of shares of common stock outstanding for the period. Diluted net income (loss) per share is computed by dividing the net income (loss) attributable to common stockholders by the weighted average number of shares of common stock and dilutive common stock equivalents then outstanding. To the extent that securities are "anti-dilutive," they are excluded from the calculation of diluted net income (loss) per share. As a result of the net loss for the years ended December 31, 2017 and 2016, respectively, all potentially dilutive shares were anti-dilutive and therefore excluded from the computation of diluted net loss per share. Anti-dilutive equity securities consists of the following at December 31, 2017 and 2016, respectively:

	2017	2016
Stock Options	21,593,385	16,203,385
Warrants	97,977,851	78,086,749
Warrants	14,641,190	-
Anti-dilutive equity securities	134,212,426	94,290,134

F-30

Explanation of Responses:

SANUWAVE HEALTH, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2017 and 2016

2.
Summary of significant accounting policies (continued)

Comprehensive income – ASC 220, Comprehensive Income, Reporting Comprehensive Income establishes standards for reporting comprehensive income (loss) and its components in a financial statement. Comprehensive income (loss) as defined includes all changes in equity (net assets) during a period from non-owner sources. The only source of other comprehensive income (loss) for the Company, which is excluded from net income (loss), is foreign currency translation adjustments.

Stock-based compensation - The Company uses the fair value method of accounting prescribed by ASC 718, Compensation – Stock Compensation, Accounting for Stock-Based Compensation for its employee stock option program. Under ASC 718, stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the applicable vesting period of the stock award.

Research and development - Research and development costs are expensed as incurred. Research and development costs include payments to third parties that specifically relate to the Company's products in clinical development, such as payments to contract research organizations, consulting fees for FDA submissions, universities performing non-medical related research and insurance premiums for clinical studies and non-medical research. In addition, employee costs (salaries, payroll taxes, benefits and travel) for employees of the regulatory affairs, clinical affairs, quality assurance, and research and development departments are classified as research and development costs.

Liabilites related to warrants issued - The Company records certain common stock warrants issued at fair value and recognizes the change in the fair value of such warrants as a gain or loss, which is reported in the Other Income (Expense) section of the Consolidated Statements of Comprehensive Loss. The Company reports these warrants at fair value and classified as liabilities because they contain certain down-round provisions allowing for reduction of their exercise price. The fair value of these warrants is estimated using a binomial options pricing model.

Warrants related to debt issued - The Company records a warrant discount related to warrants issued with debt at fair value and recognizes the cost using the straight-line method over the term of the related debt as interest expense, which is reported in the Other Income (Expense) section of our Consolidated Statements of Comprehensive Loss. This warrant discount is reported as a reduction of the related debt liability.

Beneficial conversion feature on convertible debt - The Company records a beneficial conversion feature related to convertible debt at fair value and recognizes the cost using the straight-line method over the term of the related debt as interest expense, which is reported in the Other Income (Expense) section of our Consolidated Statements of Comprehensive Loss. The beneficial conversion feature is reported as a reduction of the related debt liability.

Recent pronouncements – New accounting pronouncements are issued by the Financial Standards Board ("FASB") or other standards setting bodies that the Company adopts according to the various timetables the FASB specifies.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (ASU 2014-09), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. The standard is effective for annual periods beginning after December 15, 2017, and interim periods therein, using either of the following transition methods: (i) a full retrospective method, which requires the standard to be applied to each prior period presented, or (ii) a modified retrospective method, which requires the cumulative effect of adoption to be recognized as an adjustment to the opening retained earnings in the period of adoption. In July 2015, the FASB confirmed a one-year delay in the effective date of ASU 2014-09, making the effective date for the Company the first quarter of fiscal 2018 instead of the previous effective date, which was the first quarter of fiscal 2017. This one year deferral was issued by the FASB in ASU 2015-14, Revenue from Contracts with Customers (Topic 606). The Company can elect to adopt the provisions of ASU 2014-09 for annual periods beginning after December 31, 2017, including interim periods within that reporting period. The FASB also agreed to allow entities to choose to adopt the standard as of the original effective date. The Company will adopt the standard effective January 1, 2018 and currently anticipates using the modified retrospective approach with a cumulative effect adjustment to opening retained earnings. The evaluation of our contracts is substantially complete and, based upon the results of our evaluation, we do not expect the application of the new standard to these contracts to have a material impact to our consolidated statements of comprehensive loss, balance sheets, or cash flows either at initial implementation or on an ongoing basis. We will be finalizing our assessment in advance of the filing of our first quarter 2018 Form 10-Q. The disclosures related to revenue recognition will be significantly expanded under the standard, specifically around the quantitative and qualitative information about performance obligations and disaggregation of revenue. The expanded disclosure requirements will be included in our first quarter 2018 Form 10-Q.

SANUWAVE HEALTH, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2017 and 2016

2.
Summary of significant accounting policies (continued)

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires lessees to recognize most leases on the balance sheet. The provisions of this guidance are effective for the annual periods beginning after December 15, 2018, and interim periods within those years, with early adoption permitted. Management is evaluating the requirements of this guidance and has not yet determined the impact of the adoption on the Company's financial position or results of operations.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments (Topic 230). This ASU will make eight targeted changes to how cash receipts and cash payments are presented and classified in the statement of cash flows. The ASU will be effective for fiscal years beginning after December 15, 2017. This standard will require adoption on a retrospective basis unless it is impracticable to apply, in which case it would be required to apply the amendments prospectively as of the earliest date practicable. The new standard will be adopted during the first quarter of 2018 using a retrospective transition method. The adoption of this guidance will not have significant impact on our financial statements.

In July 2017, the FASB issued ASU No. 2017-11, Earnings Per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480): Derivatives and Hedging (Topic 815): (Part I) Accounting for Certain Financial Instruments with Down Round Features, (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception. Part I of this ASU addresses the complexity and reporting burden associated with the accounting for freestanding and embedded instruments with down round features as liabilities subject to fair value measurement. Part II of this ASU addresses the difficulty of navigating Topic 480. Part I of this ASU will be effective for fiscal years beginning after December 15, 2018. Early adoption is permitted for an entity in an interim or annual period. Management is evaluating the requirements of this guidance and has not yet determined the impact of the pending adoption on the Company's financial position or results of operations.

In February 2018, the FASB issued ASU 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. This ASU requires reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. The amount of the reclassification is the difference between the historical 35% corporate income tax rate and the newly enacted 21% corporate income tax rate. Because the amendments only relate to the reclassification of the income tax effects of the Tax Cuts and Jobs Act, the underlying guidance that requires that the effect of a change in tax laws of rates be included in income from continuing operations is not affected. This ASU is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. We have elected early adoption of this ASU. The impact of the newly enacted 21% corporate income tax rate of the Tax Cuts and Jobs Act was a $11.1 million adjustment to the gross deferred tax assets which was offset by the same adjustment to the valuation allowance at December 31, 2017.

3.
Inventory

Inventory consists of the following at December 31, 2017 and 2016:

	2017	2016
Inventory - finished goods	$136,534	$218,592
Inventory - parts	167,613	89,621
Gross inventory	304,147	308,213
Provision for losses and obsolescence	(72,615)	(76,260)
Net inventory	$231,532	$231,953

F-32

Explanation of Responses:

SANUWAVE HEALTH, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2017 and 2016

4.
Property and equipment

Property and equipment consists of the following at December 31, 2017 and 2016:

	2017	2016
Machines and equipment	$240,295	$240,295
Office and computer equipment	156,860	156,860
Devices	89,704	82,204
Software	34,528	34,528
Furniture and fixtures	16,019	16,019
Other assets	2,259	2,259
Total	539,665	532,165
Accumulated depreciation	(479,296)	(455,227)
Net property and equipment	$60,369	$76,938

Depreciation expense was $24,069 and $19,858 for the years ended December 31, 2017 and 2016, respectively. The depreciation policies followed by the Company are described in Note 2.

5.
Intangible assets

Intangible assets consist of the following at December 31, 2017 and 2016:

	2017	2016
Patents, at cost	$3,502,135	$3,502,135
Less accumulated amortization	(3,502,135)	(3,502,135)
Net intangible assets	$-	$-

Amortization expense was $0 and $306,756 for the years ended December 31, 2017 and 2016, respectively. The amortization policies followed by the Company are described in Note 2.

6.
Accrued expenses

Accrued expenses consist of the following at December 31, 2017 and 2016:

	2017	2016
Accrued outside services	$165,427	$31,533
Accrued board of director's fees	125,000	16,000
Accrued executive severance	118,000	100,000
Accrued audit and tax preparation	73,800	100,000
Accrued legal professional fees	61,890	45,000
Deferred rent	51,191	41,341
Accrued travel	39,926	-
Accrued clinical study expenses	13,650	13,650
Deferred revenue	13,317	18,810
Accrued other	11,399	8,754
	$673,600	$375,088

On November 6, 2012, the Company entered into a Severance and Advisory Agreement (the "Severance Agreement") with Christopher M. Cashman in connection with his resignation as President and Chief Executive Officer, and a director of the Company. Pursuant to the Severance Agreement, Mr. Cashman will receive, as severance along with other non-cash items, six months of his base salary payable over the following six month period and bonus payments of $100,000 upon each of four bonus payment events tied to the Company's clinical trial plan for the dermaPACE device, or December 31, 2016, whichever occurs first. The Company achieved three of the four bonus payment events in 2014 and paid $300,000 in accrued executive severance during the year ended December 31, 2014. The accrued executive severance at December 31, 2017 represents the unpaid portion of the bonus payments plus accrued interest due to late payment and the accrued executive severance at December 31, 2016 represents the unpaid portion of the bonus payments.

On May 1, 2017, the Company entered into an agreement with an investment company to provide business advisory and consulting services. The compensation for those services was to be paid in a combination of cash and Company common stock. At December 31, 2017, the Company accrued $120,000 of expense for the services provided. The common stock was issued in March 2018 in the amount of 467,423 shares.

Explanation of Responses:

SANUWAVE HEALTH, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2017 and 2016

7.
Advances from related and unrelated parties

The Company has received cash advances from related parties and accredited investors to help fund the Company's operations. These advances are a part of an agreement that the Company is offering to issue convertible promissory notes. As of December 31, 2017, the Company had received $310,000 from related parties and accredited investors. A. Michael Stolarski and Kevin A. Richardson II, both members of the Company's board of directors and existing shareholders of the Company, had subscribed $130,000 and $140,000, respectively, to the Company as advances from related parties to be used to purchase 10% Convertible Promissory Notes. The convertible promissory notes for this balance were issued on January 10, 2018 (see Note 20).

8.
Line of credit, related parties

The Company entered into a line of credit agreement with a related party at December 29, 2017. The agreement established a line of credit in the amount of $370,000 with an annualized interest rate of 6%. The line of credit may be called for payment upon demand.

Interest expense on line of credit, related parties totaled $179 and $0 for the years ended December 31, 2017 and 2016, respectively.

9.
Convertible promissory notes

On March 27, 2017, the Company began offering subscriptions for 10% convertible promissory notes (the "10% Convertible Promissory Notes") to selected accredited investors. The Company intends to use the proceeds from the 10% Convertible Promissory Notes for working capital and general corporate purposes. The initial offering closed on August 15, 2017, at which time $55,000 aggregate principal amount of 10% Convertible Promissory Notes were issued and the funds paid to the Company. Subsequent offerings were closed on November 3, 2017, November 30, 2017, and December 21, 2017, at which times $1,069,440, $199,310 and $150,000, respectively, aggregate principal amounts of 10% Convertible Promissory Notes were issued and the funds paid to the Company. On November 30, 2017, the outstanding balance of $60,000 of a short term loan with Millennium Park Capital LLC was converted into a 10% Convertible Promissory Notes agreement (see Note 10).

The 10% Convertible Promissory Notes have a six month term from the subscription date and the note holders can convert the 10% Convertible Promissory Notes at any time during the term to the number of shares of Company common stock, $0.001 par value (the "Common Stock"), equal to the amount obtained by dividing (i) the amount of the unpaid principal and interest on the note by (ii) $0.11.

The 10% Convertible Promissory Notes include a warrant agreement (the "Class N Warrant Agreement") to purchase Common Stock equal to the amount obtained by dividing the (i) sum of the principal amount, by (ii) $0.11. The Class N Warrant Agreement expires March 17, 2019. On November 3, 2017, the Company issued 10,222,180 Class N Warrants in connection with the initial and second closings of 10% Convertible Promissory Notes. On November 30, 2017, and December 21, 2017, the Company issued 2,357,364 and 1,363,636, respectively, Class N Warrants in connection with the closings of 10% Convertible Promissory Notes.

Pursuant to the terms of a Registration Rights Agreement (the “Registration Rights Agreement”) that the Company entered with the accredited investors in connection with the 10% Convertible Promissory Notes, the Company is required to file a registration statement that covers the shares of Common Stock issuable upon conversion of the 10% Convertible Promissory Notes or upon exercise of the Class N Warrants. The failure on the part of the Company to satisfy certain deadlines described in the Registration Rights Agreement may subject the Company to payment of certain monetary penalties.

The Company recorded $820,681 debt discount for the beneficial conversion feature of the promissory notes, $620,748 in debt discount for the discount on the Class N Warrant agreement and $89,518 in debt issuance costs to be amortized over the lives of the 10% Convertible Promissory Notes. Additional debt issuance costs will be incurred and amortized over the remaining lives of the 10% Convertible Promissory Notes when Class N Warrants are issued per the engagement letter with West Park Capital.

SANUWAVE HEALTH, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2017 and 2016

9.
Convertible promissory notes (continued)

The 10% Convertible Promissory Notes had an aggregate outstanding principal balance of $455,606, net of $1,099,861 beneficial conversion feature, warrant discount and debt issuance costs at December 31, 2017.

Interest expense on the 10% Convertible Promissory Notes totaled $452,804 for the year ended December 31, 2017.

A. Michael Stolarski, a member of the Company’s board of directors and an existing shareholder of the Company, was a purchaser in the 10% Convertible Promissory Notes in the amount of $330,000 and was issued 3,000,000 Class N Warrants.

10.
Notes payable, related parties

The notes payable, related parties were issued in conjunction with the Company’s purchase of the orthopedic division of HealthTronics, Inc. on August 1, 2005. The notes payable, related parties bear interest at 6% per annum. Quarterly interest through June 30, 2010, was accrued and added to the principal balance. Interest was paid quarterly in arrears beginning September 30, 2010. All remaining unpaid accrued interest and principal was due August 1, 2015.

On June 15, 2015, the Company and HealthTronics, Inc. entered into an amendment (the “Note Amendment”) to amend certain provisions of the notes payable, related parties. The Note Amendment provides for the extension of the due date to January 31, 2017. In connection with the Note Amendment, the Company entered into a security agreement with HealthTronics, Inc. to provide a first security interest in the assets of the Company. The notes payable, related parties bear interest at 8% per annum effective August 1, 2015 and during any period when an Event of Default occurs, the applicable interest rate shall increase by 2% per annum. Events of Default under the notes payable, related parties have occurred and are continuing on account of the failure of SANUWAVE, Inc., a Delaware corporation, a wholly owned subsidiary of the Company and the borrower under the notes payable, related parties, to make the required payments of interest which were due on December 31, 2016, March 31, 2017, June 30, 2017, September 30, 2017, and December 31, 2017 (collectively, the “Defaults”). As a result of the Defaults, the notes payable, related parties have been accruing interest at the rate of 10% per annum since January 2, 2017 and continue to accrue interest at such rate. The Company will be required to make mandatory prepayments of principal on the notes payable, related parties equal to 20% of the proceeds received by the Company through the issuance or sale of any equity securities in cash or through the licensing of the Company’s patents or other intellectual property rights.

On June 28, 2016, the Company and HealthTronics, Inc. entered into a second amendment (the "Second Amendment") to amend certain provisions of the notes payable, related parties. The Second Amendment provides for the extension of the due date to January 31, 2018.

On August 3, 2017, the Company and HealthTronics, Inc. entered into a third amendment (the "Third Amendment") to amend certain provisions of the notes payable, related parties. The Third Amendment provides for the extension of the due date to December 31, 2018, revision of the mandatory prepayment provisions and the future issuance of additional warrants to HealthTronics upon certain conditions.

The notes payable, related parties had an aggregate outstanding principal balance of $5,222,259, net of $150,484 debt discount at December 31, 2017 and $5,364,572, net of $8,171 debt discount at December 31, 2016, respectively.

In addition, the Company, in connection with the Note Amendment, issued to HealthTronics, Inc. on June 15, 2015, a total of 3,310,000 warrants (the "Class K Warrants") to purchase shares of Common Stock, at an exercise price of $0.55 per share, subject to certain anti-dilution protection. Each Class K Warrant represents the right to purchase one share of Common Stock. The warrants vested upon issuance and expire after ten years. The fair value of these warrants on the date of issuance was $0.0112 and $36,989 was recorded as a debt discount to be amortized over the life of the amendment.

F-35

SANUWAVE HEALTH, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2017 and 2016

10.
Notes payable, related parties (continued)

In addition, the Company, in connection with the Second Amendment, issued to HealthTronics, Inc. on June 28, 2016, an additional 1,890,000 Class K Warrants to purchase shares of the Company's Common Stock at an exercise price of $0.08 per share, subject to certain anti-dilution protection. The exercise price of the 3,310,000 Class K Warrants issued on June 15, 2015 was decreased to $0.08 per share. The fair value of these warrants on the date of issuance was $0.005 and $9,214 was recorded as a debt discount to be amortized over the life of the amendment.

In addition, the Company, in connection with the Third Amendment, issued to HealthTronics, Inc. on August 3, 2017, an additional 2,000,000 Class K Warrants to purchase shares of the Company's Common Stock at an exercise price of $0.11 per share, subject to certain anti-dilution protection. The fair value of these warrants on the date of issuance was $0.10 per warrant and $200,000 was recorded as a debt discount to be amortized over the life of the amendment.