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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2015

OR

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

For the transition period from to

Commission file number 001-35312

SUNSHINE HEART, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**No. 68-0533453**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

12988 Valley View Road, Eden Prairie, MN 55344
(Address of Principal Executive Offices) (Zip Code)

(952) 345-4200
(Registrant's Telephone Number, Including Area Code)

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

Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes x No o

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

Large accelerated filer o	Accelerated filer x
Non-accelerated filer o(Do not check if a smaller reporting company)	Smaller reporting company o

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

Yes o No x

The number of outstanding shares of the registrant's common stock, $0.0001 par value, as of May 5, 2015 was 18,297,177.

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PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SUNSHINE HEART, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(Dollars in thousands, except share amounts)

	March 31, 2015 (unaudited)	December 31, 2014
ASSETS		
Current assets		
Cash and cash equivalents	$ 37,027	$ 31,293
Accounts receivable	59	59
Other current assets	921	360
Total current assets	38,007	31,712
Property, plant and equipment, net	653	661
Other assets	135	—
TOTAL ASSETS	$ 38,795	$ 32,373
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current portion of long-term debt	$ 705	$ —
Accounts payable	2,233	2,079
Accrued salaries, wages, and other compensation	741	1,079
Total current liabilities	3,679	3,158
Long-term debt, net of discount	5,043	—
Total liabilities	8,722	3,158
Commitments and contingencies	—	—
Stockholders' equity		
Series A junior participating preferred stock as of March 31, 2015 and December 31, 2014, $0.0001 par value per share; authorized 30,000 shares, none outstanding	—	—

Preferred stock as of March 31, 2015 and December 31, 2014, $0.0001 par value per share; authorized 39,970,000 shares, none outstanding	—	—
Common stock as of March 31, 2015 and December 31, 2014, par value $0.0001 per share; authorized 100,000,000 shares; issued and outstanding 18,233,185 and 16,982,642, respectively	2	2
Additional paid-in capital	162,451	154,540
Accumulated other comprehensive income:		
Foreign currency translation adjustment	1,282	1,272
Accumulated deficit	(133,662)	(126,599)
Total stockholders' equity	30,073	29,215
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 38,795	$ 32,373

See notes to the condensed consolidated financial statements.

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SUNSHINE HEART, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations and Comprehensive Loss
(Unaudited)
(In thousands, except per share amounts)

	Three months ended March 31,	
	2015	**2014**
Net sales	**$ 59**	**$ 59**
Operating expenses:		
Selling, general and administrative	2,186	2,361
Research and development	4,865	4,063
Total operating expenses	7,051	6,424
Loss from operations	(6,992)	(6,365)
Other income (expense), net	(66)	33
Loss before income taxes	(7,058)	(6,332)
Income tax expense	5	—
Net loss	**$ (7,063)**	**$ (6,332)**
Basic and diluted loss per share	**$ (0. 40)**	**$ (0.38)**
Weighted average shares outstanding — basic and diluted	17,509	16,859
Other comprehensive income:		
Foreign currency translation adjustments	$ 10	$ (19)
Total comprehensive loss	**$ (7,053)**	**$ (6,351)**

See notes to the condensed consolidated financial statements.

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SUNSHINE HEART, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(in thousands)

	Three months ended March 31,	
	2015	**2014**
Operating Activities:		
Net loss	**$** (7,063)	$ (6,332)
Adjustments to reconcile net loss to cash flows used in operating activities:		
Depreciation	80	61
Stock-based compensation expense, net	743	632
Amortization of debt discount	14	—
Changes in operating assets and liabilities:		
Other current assets	(561)	(468)
Other assets	(135)	
Accounts payable and accrued expenses	(162)	(580)
Net cash used in operations	**(7,084)**	**(6,687)**
Investing activities:		
Purchases of property and equipment	(72)	(46)
Net cash used in investing activities	**(72)**	**(46)**

Financing activities:		
Net proceeds from the sale of common stock	6,902	16
Proceeds from borrowings on long-term debt	6,000	—
Net cash provided by financing activities	**12,902**	**16**
Effect of exchange rate changes on cash	(12)	2
Net increase (decrease) in cash and cash equivalents	5,734	(6,715)
Cash and cash equivalents - beginning of period	31,293	54,136
Cash and cash equivalents - end of period	**$ 37,027**	**$ 47,421**
Supplement schedule of non-cash activities		
Stock options and restricted stock units classified as liabilities, net	**$** —	$ (278)
Warrants issued in connection with debt financing	**$** 266	$ —

See notes to the condensed consolidated financial statements.

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SUNSHINE HEART, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(unaudited)

Note 1 - Basis of Presentation

Unless otherwise specified or indicated by the context, ***"Sunshine Heart," "Company," "we," "us"*** and ***"our"*** refer to Sunshine Heart, Inc. and its subsidiaries.

Principles of Consolidation: The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S.) (U.S. GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information necessary for a fair presentation of results of operations, comprehensive income, financial condition, and cash flows in conformity with U.S. GAAP. In the opinion of management, the condensed consolidated financial statements reflect all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of the results of Sunshine Heart, Inc. and its subsidiaries for the periods presented. Operating results for interim periods are not necessarily indicative of results that may be expected for the year as a whole. The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses, and the related disclosures at the date of the financial statements and during the reporting period. Actual results could materially differ from these estimates.

For further information, refer to the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

Going Concern: The Company's financial statements have been prepared and presented on a basis assuming it continues as a going concern. During the years ended December 31, 2014 and 2013 and through March 31, 2015, the Company incurred losses from operations and net cash outflows from operating activities as disclosed in the consolidated statements of operations and cash flows, respectively. At December 31, 2014, the Company had an accumulated deficit of $126.6 million and it expects to incur losses for the foreseeable future. To date, the Company has been funded by debt and equity financings, and although the Company believes that it will be able to successfully fund its operations, there can be no assurance that it will be able to do so or that it will ever operate profitably.

The Company's ability to continue as a going concern is dependent on the Company's ability to raise additional capital based on the achievement of existing milestones as and when required. Should future capital raising be unsuccessful, the Company may not be able to continue as a going concern. Furthermore, the ability of the Company to continue as a going concern is subject to the ability of the Company to develop and successfully commercialize the product being developed. If the Company is unable to obtain such funding of an amount and timing necessary to meet its future operational plans, or to successfully commercialize its intellectual property, the Company may be unable to continue as a going concern. No adjustments have been made relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

Earnings per share: Basic earnings per share is computed based on the weighted average number of common shares outstanding. Diluted earnings per share is computed based on the weighted average number of common shares outstanding, increased by the number of additional shares that would have been outstanding had the potentially dilutive common shares been issued, and reduced by the number of shares the Company could have repurchased from the proceeds from issuance of the potentially dilutive shares. Potentially dilutive shares of common stock include warrants, stock options and other stock-based awards granted under stock-based compensation plans. These potentially dilutive shares totaling 2,931,306 and 3,512,005 for the three months ended March 31, 2015 and 2014, respectively, were excluded from the computation of loss per share as their effect was antidilutive due to the Company's net loss in each of those periods.

New Accounting Pronouncements: In May 2014, the FASB issued amended revenue recognition guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required about customer contracts, significant judgments and changes in

judgments, and assets recognized from the costs to obtain or fulfill a contract. The standard allows the Company to transition to the new model using either a full or modified retrospective approach, and early adoption is not permitted. The Company is currently evaluating the impact that this standard will have on its business practices, financial condition, results of operations and disclosures.

In August 2014, the FASB amended guidance relating to the presentation and disclosure of the uncertainties of an entity's ability to continue as a going concern. This guidance explicitly requires management of a company to evaluate whether there is substantial doubt about a company's ability to continue as a going concern and to provide related footnote disclosure in certain circumstances. This guidance is effective for the Company's interim and annual reporting periods beginning January 1, 2017, with early adoption permitted. The Company is evaluating the impact that the adoption of this standard will have, if any, on its financial statements and disclosures.

Note 2 - Debt

On February 18, 2015, the Company entered into a loan and security agreement with Silicon Valley Bank for proceeds of up to $10.0 million at an annual interest rate of 7.0%. Under this agreement, the Company received $6.0 million at closing and has available an additional $2.0 million after the notification that the FDA had accepted its statistical interim analysis plan. The remaining $2.0 million will become available upon the Company enrolling its one hundredth patient in the COUNTER HF trial on or before September 30, 2015. Total borrowings under this facility totaled $6.0 million as of March 31, 2015.

The proceeds from the loan will be used for general corporate and working capital purposes. The Company is entitled to make interest only payments until January 1, 2016. Commencing on January 1, 2016, and continuing on the first day of each calendar month thereafter, the Company is required to repay the advances made in twenty-four consecutive equal monthly installments.

The agreement is secured by a security interest in assets of the Company and its current and future subsidiaries, including a security interest in intellectual property proceeds, but excluding a current security interest in intellectual property. The agreement contains customary representations (tested on a continual basis) and covenants that, subject to exceptions, restrict the Company's ability to do the following things: declare dividends or redeem or repurchase equity interests; incur additional liens; make loans and investments; incur additional indebtedness; engage in mergers, acquisitions, and asset sales; transact with affiliates; undergo a change in control; add or change business locations; and engage in businesses that are not related to its existing business. Upon repayment of the term loans, the Company is also required to make a final payment to the Lender equal to 5% of the original principal amount of the term loans.

In connection with the loan and security agreement, the Company issued 68,996 warrants at an exercise price of $5.22 per share to Silicon Valley Bank and one of its affiliates. The warrants have a life of ten years and were fully vested at the date of grant. The Company valued these warrants at $3.86 per share utilizing the Black Scholes valuation model utilizing the following assumptions: expected dividend yield of 0%, an expected stock price volatility of 88.07%, a risk-free interest rate of 1.86% and expected option lives of 6.25 years. The value of these warrants was recorded as debt discount in the accompanying balance sheet and will be amortized to interest expense over the term of the debt agreement using the effective interest rate method. As of March 31, 2015, $252,000 of unamortized debt discount was netted against long-term debt.

Note 3 - Equity

ATM Sales: In March 2014, the Company entered into a sales agreement (the ***"Sales Agreement"***) with Cowen and Company LLC ("***Cowen***") to sell from time to time, in "at the market" offerings, shares of its common stock having an aggregate offering price of up to $40.0 million. During the three months ended March 31, 2015, the Company sold 1,214,395 shares of common stock for net proceeds of $6.9 million after stock issuance costs of $0.2 million. There were no issuances of common stock under this facility in the three months ended March 31, 2014.

As of March 31, 2015, the Company had a total of $32.8 million available for future sales under the Sales Agreement.

Note 4 - Stock-Based Compensation

Under the fair value recognition provisions of U.S. GAAP for accounting for stock-based compensation, the Company measures stock-based compensation expense at the grant date based on the fair value of the award and recognizes the compensation expense over the requisite service period, which is generally the vesting period.

The following table presents the classification of stock-based compensation expense recognized for the three months ended March 31, 2015 and 2014:

(in thousands)	Three months ended March 31, 2015	2014
Selling, general and administrative expense	$ 567	$ 468
Research and development expense	300	267
Total stock-based compensation expense	$ 867	$ 735

Note 5 - Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities. The Company believes that the carrying amounts of the financial instruments approximate their respective current fair values due to their relatively short maturities.

Pursuant to the requirements of Financial Accounting Standards Board (the ***"FASB"***) Accounting Standards Codification (the ***"ASC"***) Topic 820 *"Fair Value Measurement,"* the Company's financial assets and liabilities measured at fair value on a recurring basis are classified and disclosed in one of the following three categories:

- *Level 1* - Financial instruments with unadjusted quoted prices listed on active market exchanges.

- *Level 2* - Financial instruments lacking unadjusted, quoted prices from active market exchanges, including over the counter traded financial instruments. The prices for the financial instruments are determined using prices for recently traded financial instruments with similar underlying terms as well as directly or indirectly observable inputs, such as interest rates and yield curves that are observable at commonly quoted intervals.

- *Level 3* - Financial instruments that are not actively traded on a market exchange. This category includes situations where there is little, if any, market activity for the financial instrument. The prices are determined using significant unobservable inputs or valuation techniques.

All cash equivalents are considered Level 1 measurements for all periods presented. The Company does not have any financial instruments classified as Level 2 or Level 3 and there were no movements between these categories during the periods ended March 31, 2015 and December 31, 2014.

Note 6 — Income Taxes

The Company provides for a valuation allowance when it is more likely than not that it will not realize a portion of the deferred tax assets. The Company has established a full valuation allowance for U.S. and foreign deferred tax assets due to the uncertainty that enough taxable income will be generated in those taxing jurisdictions to utilize the assets. Therefore, the Company has not reflected any benefit of such deferred tax assets in the accompanying financial statements.

As of March 31, 2015, there were no material changes to what the Company disclosed regarding tax uncertainties or penalties in its Annual Report on Form 10-K for the year ended December 31, 2014.

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

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our interim condensed consolidated financial statements and related notes included in Part I, Item 1 of this Quarterly Report and the audited consolidated financial statements and related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the year ended December 31, 2014. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of a variety of factors, including those discussed in Part I, Item 1A "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2014 and in our subsequent filings with the Securities and Exchange Commission (**"SEC"**).*

OVERVIEW

We are a medical device company developing innovative technologies for cardiac and coronary disease. The Company's primary product, the C-Pulse System, is an implantable, non-blood contacting, heart assist therapy for the treatment of moderate to severe heart failure, which can be implanted using a minimally invasive procedure. The C-Pulse System is designed to relieve the symptoms of heart failure through the use of counter-pulsation technology by enabling an increase in cardiac function, an increase in coronary blood flow, and a reduction in the heart's pumping load.

We are in the process of pursuing regulatory approvals necessary to commercialize our system in the United States. We completed enrollment of our North American feasibility clinical study in the first half of 2011. In November 2011, we announced the preliminary results of the six-month follow-up period for the feasibility study and we submitted the clinical data to the FDA. In March 2012, the FDA notified us that it had completed its review of the C-Pulse System feasibility study data and concluded we met the applicable agency requirements, and further indicated that we could move forward with an investigational device exemption application. In November 2012, the FDA provided us with unconditional approval to initiate a pivotal study. We commenced enrollment in our COUNTER HF™ pivotal study in September 2013. The COUNTER HF study is a prospective, randomized, multi-center, controlled study expected to randomize 388 patients in up to 40 clinical sites.

We obtained CE Mark approval for the C-Pulse System in July 2012 and have taken initial steps to evaluate the market potential for our system in targeted countries that accept the CE Mark in anticipation of commencing commercial sales. In order to gain additional clinical data and support reimbursement in Europe, we have initiated a post-market study in Europe that will evaluate endpoints similar to those for our U.S. pivotal study and enrollment under this study commenced in the second quarter of 2013.

On February 25, 2015, we announced that we had received unconditional approval from the FDA to conduct an interim analysis of COUNTER HF. This interim analysis could reduce the overall duration of the trial. On March 6, 2015, we announced that COUNTER HF, our US pivotal trial, had reached a pre-determined pausing point and we temporarily suspended enrollment in accordance with the study protocol. After reviewing our IDE supplement that discussed the reasons for the temporary suspension and our plan for study resumption, the FDA requested minor protocol changes before we are allowed to resume patient enrollment into the trial. We submitted the required protocol changes on April 22, 2015 and are awaiting the FDA's clearance to resume the study. This submission carries up to a 30-day review period by the FDA.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have adopted various accounting policies to prepare the condensed consolidated financial statements in accordance with accounting principles generally accepted in the U.S. (U.S. GAAP). Our most significant accounting policies are disclosed in Note 1 to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2014.

The preparation of the condensed consolidated financial statements, in conformity with U.S. GAAP, requires us to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Our estimates and assumptions, including those related to stock-based compensation, valuation of equity and debt securities, and income tax reserves are updated as appropriate, which in most cases is quarterly. We base our estimates on historical experience, valuations, or various assumptions that are believed to be reasonable under the circumstances. There have been no material changes to our critical accounting policies and estimates from the information provided in Part II, Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations* included in our Annual Report on Form 10-K for the year ended December 31, 2014.

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Going Concern: Our financial statements have been prepared and presented on a basis assuming we continue as a going concern. During the years ended December 31, 2014 and 2013, and through March 31, 2015, we incurred losses from operations and net cash outflows from operating activities as disclosed in the consolidated statements of operations and cash flows, respectively.

Our ability to continue as a going concern is dependent on our ability to raise additional capital based on the achievement of existing milestones as and when required. Our directors, after due consideration, believe that we will be able to raise new equity capital as required to fund our business plan. Should future capital raising be unsuccessful, we may not be able to continue as a going concern. Furthermore, our ability to continue as a going concern is subject to our ability to develop and successfully commercialize the product being developed. If we are unable to obtain such funding of an amount and timing necessary to meet our future operational plans, or to successfully commercialize our intellectual property, we may be unable to continue as a going concern. No adjustments have been made relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should we not continue as a going concern.

NEW ACCOUNTING PRONOUNCEMENTS

Information regarding new accounting pronouncements is included in Note 1 to the current period's condensed consolidated financial statements.

FINANCIAL OVERVIEW

We are an early-stage medical device company focused on developing, manufacturing and commercializing our C-Pulse System for treatment of Class III and ambulatory Class IV heart failure. Our activities since inception have consisted principally of raising capital, performing research and development and conducting preclinical and clinical studies. At March 31, 2015, we had an accumulated deficit of $133.7 million and we expect to incur losses for the foreseeable future. To date, we have been funded by private and public equity and debt financings. Although we believe that we will be able to successfully fund our operations, there can be no assurance that we will be able to do so or that we will ever operate profitably.

Results of Operations

Comparison of Three Months Ended March 31, 2015 to Three Months Ended March 31, 2014

Revenue

Three Months Ended March 31, 2015	Three Months Ended March 31, 2014	Increase (Decrease)	% Change
$ 59,000	$ 59,000	$ —	N/A

Sales of the C-Pulse System to hospitals and clinics under contract in conjunction with our North American FDA clinical studies historically have generated all of our revenue. Our C-Pulse System is not approved for commercial sale in the U.S. However, the FDA has assigned the C-Pulse System to a Category B designation, making it eligible for reimbursement at certain U.S sites during our clinical studies. Consequently, we are able to invoice hospitals and clinics that are eligible for reimbursement by Medicare, Medicaid or private insurance companies. As many private insurance companies and certain governmental institutions have a non-coverage policy for experimental or investigational procedures, we have not been successful in achieving reimbursement for some of our implant procedures. We recognized revenue for one C-Pulse System implant in the three-month periods ended March 31, 2015 and 2014. We expect our revenue will be minimal until we begin enrolling patients in our North American pivotal clinical study at an increased rate and establish reimbursement in our post-marketing study in select countries in Europe. Product costs incurred for our clinical studies are deemed to be development costs and, accordingly, are expensed to research and development as incurred.

Selling, General and Administrative Expense

Three Months Ended March 31, 2015	Three Months Ended March 31, 2014	Increase (Decrease)	% Change
$ 2,186,000	$ 2,361,000	$ (175,000)	(7.4)%

Our decrease in selling, general and administrative expense for the three months ended March 31, 2015 as compared to

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2014 is attributed to the consolidation of certain positions in an effort to increase efficiency.

Research and Development Expense

Three Months Ended March 31, 2015	Three Months Ended March 31, 2014	Increase (Decrease)	% Change
$ 4,865,000	$ 4,063,000	$ 802,000	19.7%

Our increase in research and development expense for the three months ended March 31, 2015 as compared to 2014 resulted primarily from increased personnel and clinical research infrastructure to support our clinical studies in North America and Europe and increased development costs associated with our fully implantable system. We expect our research and development expense will continue to be above prior year levels throughout 2015 as we add personnel to support our clinical studies and pursue our development efforts.

Other Income (Expense), Net

Three Months Ended	Three Months Ended	Increase (Decrease)	% Change

March 31, 2015	March 31, 2014		
$ (66,000)	$ 33,000	$ (99,000)	(300.0)%

The change is primarily due to interest expense related to borrowings outstanding under our term loan with Silicon Valley Bank. We did not incur interest expense charges in 2014 as we did not have any outstanding debt. Foreign exchange rate gains and losses are recorded as other expense.

Liquidity and Capital Resources

Sources of Liquidity

We have funded our operations primarily through a series of equity and debt issuances. During the three months ended March 31, 2015, we entered into a loan agreement with SVB for proceeds of up to $10.0 million, and issued common shares for net cash proceeds of $6.9 million under our Sales Agreement (ATM) with Cowen. During the period ended March 31, 2014, we issued $16,000 in common shares. As of March 31, 2015 and December 31, 2014, cash and cash equivalents were $37.0 million and $31.3 million, respectively.

From time to time we may seek to sell additional equity or debt securities or enter into credit facilities. The sale of additional equity, debt, or convertible debt securities may result in dilution to our stockholders. If we raise additional funds through the issuance of debt, convertible debt or enter into credit facilities, these securities and debt holders could have rights senior to those of our common stock, and this debt could contain covenants that would restrict our operations and would require us to use cash for debt service rather than our operations. We may require additional capital beyond our currently forecasted amounts. Although we have successfully financed our operations through the issuance of common stock, debt, and warrants to date, any such required additional capital may not be available to us on acceptable terms, or at all.

Cash Flows from Operating Activities

Net cash used in operating activities was $7.1 million and $6.7 million for the three months ended March 31, 2015 and 2014, respectively. The net cash used in each of these periods primarily reflects the net loss for those periods, offset in part by stock-based compensation, depreciation, amortization of warrants issued for services and the effects of changes in operating assets and liabilities.

Cash Flows from Investing Activities

Net cash used in investing activities was $72,000 and $46,000 for the three months ended March 31, 2015 and 2014, respectively. The majority of cash used in investing activities in the three months ended March 31, 2015 was for the purchase of laboratory and office equipment.

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Cash Flows from Financing Activities

Net cash provided by financing activities was $12.9 million and $16,000 for the three months ended March 31, 2015 and 2014, respectively. Net cash provided by financing activities was attributable to debt borrowings and proceeds from sales of our common stock.

Capital Resource Requirements

As of March 31, 2015, we did not have any material commitments for capital expenditures.

Off-Balance Sheet Arrangements

We have no off-balance sheet transactions, arrangements, obligations (including contingent obligations), or other relationships with unconsolidated entities or other persons that have, or may have, a material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Forward-Looking Statements and Risk Factors

Certain statements in this report are forward-looking statements that are based on management's beliefs, assumptions and expectations and information currently available to management. All statements that address future operating performance, events or developments that we expect or anticipate will occur in the future are forward-looking statements, including without limitation, our expectations with respect to product development and commercialization efforts, results of clinical studies, timing of regulatory filings and approvals, regulatory acceptance of our filings, research and development activities, ultimate clinical outcomes and benefits of our products to patients, market and physician acceptance of our products, intellectual property protection, and potentially competitive product offerings. The risk factors described in our filings with the SEC could cause actual events to adversely differ from the expectations indicated in these forward-looking statements. Management believes that these forward-looking statements are reasonable as and when made. However, you should not place undue reliance on forward-looking statements because they speak only as of the date when made. Sunshine Heart does not assume any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Sunshine Heart may not actually achieve the plans, projections or expectations disclosed in forward-looking statements, and actual results, developments or events could differ materially from those disclosed in the forward-looking statements. Forward-looking statements are subject to a number of risks and uncertainties, including without limitation, the possibility that regulatory authorities do not accept our application or approve the marketing of the C-Pulse System, the possibility we may be unable to raise the funds necessary for the development and commercialization of our products, and those described in our filings with the SEC. We may update our risk factors from time to time.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash and cash equivalents. We maintain our accounts for cash and cash equivalents principally at one major bank in the United States and one major bank in the United Kingdom. We have an investment policy that limits our investments to investments in issuers evaluated as creditworthy. We have not experienced any losses on our deposits of our cash and cash equivalents.

In the United States, we sell our products and services directly to hospitals and clinics. We do not currently sell in international markets.

We do not believe our operations are currently subject to significant market risks for interest rates, foreign currency exchange rates, commodity prices or other relevant market price risks of a material nature. Under our current policies, we do not use foreign currency derivative instruments to manage exposure to fluctuations in foreign exchange rates.

We are exposed to declines in the interest rates paid on deposited funds. A 0.1% decline in the current market interest rates paid on deposits would result in interest earnings being reduced by approximately $30,000 on an annual basis.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC rules

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and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer (together, the ***"Certifying Officers"***), as appropriate, to allow for timely decisions regarding required disclosure.

In designing and evaluating disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired objectives. Also, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. The design of any system of controls is based, in part, upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

As of March 31, 2015, the end of the period covered by this report, we conducted an evaluation, under the supervision and with the participation of management, including the Certifying Officers, of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the ***"Exchange Act"***). Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their stated objectives. Based on their evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of March 31, 2015.

Changes in Internal Controls

There were no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended March 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are not currently subject to any material legal proceedings.

ITEM 1A. RISK FACTORS

You should carefully consider the risks and uncertainties we describe in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014, and in other reports filed thereafter with the SEC, before deciding to invest in or retain shares of our common stock. We do not believe there are any material changes to the risk factors discussed in Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

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

On February 18, 2015, we entered into a loan and security agreement with Silicon Valley Bank (the ***"Loan Agreement"***), and in connection with the loan and security agreement, we issued to the Bank and its affiliate 68,996 warrants (***"Warrants"***), equal to 6% of the amount of the Term A Loan divided by the Initial Shares Warrant Price (as defined below) (the ***"Initial Shares"***). The ***"Initial Shares Warrant Price"*** equaled the lower of (i) the closing price for a share of the Company's common stock as reported on NASDAQ for the date on which the Term A Loan advance was made to the Company, and (ii) the average of the closing prices for a share of the Company's common stock reported for the ten (10) trading days ending on the date of such Term A Loan advance. The Warrants were fully vested at the date of grant, and have an exercise price of $5.22 and a term of ten (10) years.

Upon the Bank funding the Term B Loan and/or the Term C Loan, the Warrants will automatically become exercisable for an additional number of shares equal to 6% of the amount of the Term B Loan or Term C Loan, as the case may be, divided by the lower of (each, a ***"Funding Shares Warrant Price"***) (i) the closing price for a share of the Company's common stock as reported on NASDAQ for the date of such Term B Loan advance or Term C Loan advance, as the case may be, and (ii) the average of the closing prices for a share of the Company's common stock reported for the ten (10) trading days ending on the date of such Term B Loan advance or Term C Loan advance, as the case may be, at an exercise price equal to such Funding Shares Warrant Price.

The Company relied on the exemption from registration contained in Section 4(2) of the Securities Act of 1933, as amended (the ***"Securities Act"***), and Rule 506 of Regulation D, in connection with the issuance of the Warrants. The

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Warrants and the shares of common stock issuable under the Warrants have not been registered under the Securities Act, or state securities laws, and may not be offered or sold in the United States without being registered with the SEC or through an applicable exemption from SEC registration requirements. The recipients of the Warrants in such transaction represented their intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the electronic records representing such securities in such transactions. All recipients received adequate information about us. There were no underwriters employed in connection with the issuance of the Warrants.

The foregoing is a summary of the Warrants and is qualified in its entirety by reference to the complete text of the Loan Agreement and forms of Warrant to Purchase Stock, which are filed as Exhibits 10.1, 4.1 and 4.2, respectively to this Report and incorporated by reference herein.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The exhibits filed as part of this Quarterly Report on Form 10-Q are listed in the Exhibit Index immediately following the signature page of this report.

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SIGNATURES

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

Sunshine Heart, Inc.

Date: May 7, 2015

By: /s/ David A. Rosa
David A. Rosa
Chief Executive Officer and President
(principal executive officer)

Date: May 7, 2015

By: /s/ Claudia Drayton
Claudia Drayton
Chief Financial Officer
(principal financial officer)

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Exhibit Index
Sunshine Heart, Inc.
Form 10-Q for the Quarterly Period Ended March 31, 2015

Exhibit Number	Exhibit Description	Incorporated By Reference			Exhibit Number	Filed Herewith	Furnished Herewith
		Form	File Number	Date of First Filing			
4.1	Warrant to Purchase Stock, dated February 18, 2015, issued to Silicon Valley Bank	8-K	001-35312	February 19, 2015	4.1		
4.2	Warrant to Purchase Stock, dated February 18, 2015, issued to Life Science Loans, LLC	8-K	001-35312	February 19, 2015	4.2		
10.1	Loan and Security Agreement between	8-K	001-35312	February 19, 2015	10.1		

	Sunshine Heart, Inc. and Silicon Valley Bank dated February 18, 2015						
10.2	Termination and Release Agreement dated January 1, 2015 by and between Sunshine Heart, Inc. and William S. Peters					X	
10.3	Change in Control Agreement dated January 5, 2015 by and between Sunshine Heart, Inc. and Claudia Drayton †	8-K	001-35312	January 7, 2015	10.1		
10.4	Second Amendment to the Sunshine Heart, Inc. New-Hire Equity Incentive Plan †	S-8	333-202904	March 20, 2015	99.12		
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X	
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X	
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002						X
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002						X
101.INS	XBRL Instance Document					X	
101.SCH	XBRL Taxonomy Extension Schema Document					X	
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					X	
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					X	

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Exhibit Number	Exhibit Description	Incorporated By Reference				Filed Herewith	Furnished Herewith
		Form	File Number	Date of First Filing	Exhibit Number		
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					X	
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					X	

† Indicates management compensatory plan, contract or arrangement.

TERMINATION AND RELEASE AGREEMENT

THIS TERMINATION AND RELEASE AGREEMENT (this ***"Agreement"***) is made effective as of the 1st day of January, 2015 by and between **SUNSHINE HEART, INC.**, a Delaware corporation, whose address is 12988 Valley View Road, Eden Prairie, Minnesota 55344 (the ***"Company"*** and together with its subsidiaries and affiliates, the ***"Company Group"***); **DR. WILLIAM PETERS,** whose address is GC/68 Greys Avenue, Auckland Central, Auckland 1010, New Zealand (***"Dr. Peters"***); **WSP TRADING LIMITED,** whose address is GC/68 Greys Avenue, Auckland Central, Auckland 1010, New Zealand (***"WSP,"*** collectively with Dr. Peters, the ***"WSP Parties"*** and each individually, a ***"WSP Party"***). (The Company Group and the WSP Parties are collectively referred to herein as the ***"Parties"*** and each without distinction, a ***"Party"***).

ARTICLE 1
TERMINATION AND PAYMENTS

1.1 TERMINATION OF CONSULTING AGREEMENT. WSP and the Company are parties to that certain Consulting Agreement dated August 3, 2004 (the ***"Consulting Agreement"***) and WSP and Dr. Peters are parties to that certain Confidential Information and Invention Assignment Agreement (the ***"Invention Assignment Agreement"***). The Parties hereby agree that the Consulting Agreement shall terminate as of the 1st day of January, 2015 (the ***"Termination Date"***); *provided*, Section 8 of the Consulting Agreement and the Invention Assignment Agreement shall survive termination and continue in full force and effect in accordance with their respective terms. Effective as of the Termination Date, with the exception of Section 8 of the Consulting Agreement, all rights and obligations of the Parties under the Consulting Agreement shall terminate. As of the Termination Date, Dr. Peters hereby resigns from all positions held by Dr. Peters with any member of the Company Group, including, without limitation, as Chief Technical Officer of the Company.

1.2 SEPARATION CONSIDERATION. As consideration for the WSP Parties' agreements and releases set forth herein, following the Termination Date, the Company agrees to engage the WSP Parties to provide consulting services, and the WSP Parties agree to provide consulting services, pursuant to the terms and conditions of the consulting agreement attached hereto as EXHIBIT A (the ***"Amended Consulting Agreement"***).

1.3 PAYMENT OF BONUS. The Company agrees to pay Dr. Peters $24,157.44 as a bonus for 2014, which amount shall be paid by the Company no later than January 31, 2015.

1.4 CONFLICT WITH OTHER AGREEMENTS. In the event of any conflict between this Agreement and the provisions the Invention Assignment Agreement, the terms and conditions of the Invention Assignment Agreement shall control over the terms of this Agreement.

1.5 ACKNOWLEDGEMENT. Except as contemplated herein or by the terms and conditions of the Amended Consulting Agreement, the Parties acknowledge and agree that neither WSP Party is, and after the Termination Date shall not, be eligible for any additional payment by the Company of any additional consulting bonus, salary, vacation pay, retirement pension, severance pay, back pay, or other remuneration or compensation of any kind in respect of employment by the Company (other than as set forth in the Amended Consulting Agreement). Notwithstanding, the Company acknowledges and agrees that the WSP Parties' performance of the Services pursuant to the terms and conditions of the Amended Consulting Agreement constitutes "Continuous Services" for the purposes of the equity awards issued to Dr. Peters prior to the Termination Date under the terms and conditions of the Company's equity incentive plans, which plans are not affected hereby. The WSP Parties further agree that the Invention Assignment Agreement remains in full force and effect, and the WSP Parties hereby reaffirms their respective obligations arising under the terms of the Invention Assignment Agreement. The WSP Parties agree to return to the Company all Company Group documents and materials, apparatus, equipment and other physical property in their possession within five (5) days of the Termination Date and in the manner directed by the CEO of the Company, excepting documents authored in whole or in part by Dr. Peters and published or circulated outside the Company. Each of the Parties acknowledges and agrees that: (i) the options and restricted stock units listed on SCHEDULE 1 attached hereto constitute the complete and total amount of stock options or restricted stock units issued by the Company to which either WSP Party is entitled to receive from the Company (the ***"Equity Awards"***); (ii) the Company has no obligation to issue to any WSP Party any additional equity-linked awards under the

Company's equity incentive plans; (iii) notwithstanding the terms and conditions of this Agreement, the Equity Awards shall be governed by and remain subject to the terms and conditions of the applicable award agreements and the Company's equity incentive plans under which the Equity Awards were granted; and (iv) the summary of the vesting status of the Equity Awards reflected in SCHEDULE 1 attached hereto reflects the vesting of the Equity Awards as of November 30, 2014.

1.6 COOPERATION AND ASSISTANCE. For a period of sixty (60) days following the Termination Date, Dr. Peters shall make himself reasonably available up to five (5) hours per week to assist the Company in matters relating to the transition of his prior duties to other employees or consultants of the Company (including his successor), as may be reasonably requested by the Company. The Company shall reimburse Dr. Peters for the reasonable documented out-of-pocket expenses incurred by him in providing such cooperation and assistance; provided that any such expense exceeding Five Hundred Dollars ($500) shall require the advance consent of the CEO of the Company. Any services rendered by Dr. Peters pursuant to this Section 1.5 shall be governed by the applicable terms and conditions of the Invention Assignment Agreement.

ARTICLE 2
RELEASE AND NON-DISPARAGEMENT

2.1 RELEASE OF THE WSP PARTIES. In consideration for the payments set forth in this Agreement, Dr. Peters, on behalf of himself, his heirs, executors, legal representatives and assigns (***"Dr. Peters Releasing Parties"***) and WSP, on behalf of itself, past and present officers, managers, employees, investors, members, administrators, subsidiaries, affiliates, predecessor and successor corporations and assigns, attorneys and insurers (the ***"WSP Releasing Parties,"*** together with the Dr. Peters Releasing Parties, the ***"Releasing Parties"***), hereby fully and forever release, acquit, discharge and covenant not to sue (as a full settlement and as an accord and satisfaction) the Company and the Company Group and the respective past and present officers, directors, employees, investors, stockholders, administrators, subsidiaries, affiliates, predecessor and successor corporations and assigns, attorneys, agents, and insurers of the Company and the Company Group (collectively, the ***"Company's Released Parties,"*** and each individually a ***"Company Released Party"***) of and from any claim, duty, obligation, cause of action, suit, debt, chose in action, contract, warranty, tort, covenant, judgment, execution, liability, damage, interest, fees, costs, sanctions, demands and rights whatsoever, contingent or noncontingent, in law or in equity, relating to any matters of any kind, whether presently

known or unknown, suspected or unsuspected, that any of them may possess arising from any omissions, acts or facts that have occurred up until and including the date of this Agreement including, without limitation, any and all claims:

A. which arise out of, or result from, or occurred in connection with the WSP Parties' relationship with or service to the Company, any member of the Company Group or any of their respective affiliated entities, the termination of that relationship or service, any events occurring in the course of that relationship or service, or any events occurring prior to the execution of this Agreement;

B. for breach of contract, both express and implied; breach of a covenant of good faith and fair dealing, both express and implied; negligent or intentional infliction of emotional distress; negligent or intentional misrepresentation; legal malpractice, or negligent or intentional interference with contract or prospective economic advantage; breach of a covenant of good faith and fair dealing, both express and implied; promissory estoppel; negligent or intentional infliction of emotional distress; unfair business practices; defamation; libel; slander; negligence; personal injury; assault; battery; invasion of privacy; false imprisonment and/or conversion;

C. for a violation of any federal, state or municipal statute, regulation or ordinance relating to employment, including, without limitation, (1) Title VII of the Civil Rights Act of 1964, as amended, (2) the Civil Rights Act of 1866, as amended, (3) the Civil Rights Act of 1991, as amended, (4) the Employee Retirement and Income Security Act of 1974, as amended, (5) the Age Discrimination in Employment Act of 1967, as amended (the ***"ADEA"***), including without limitation, the Older Workers' Benefit Protection Act, as amended (***"OWBPA"***), (6) the OWBPA, (7) the Americans with Disabilities Act of 1990, as amended, (8) the Minnesota Human Rights Act, as amended (the ***"MHRA"***), (9) the Minnesota Equal Pay for Equal Work Law, as amended, (10) the Minnesota healthcare worker whistleblower protection laws, (11) the Minnesota family leave law, and (12) the Minnesota personnel record access statutes;

D. relating to unpaid debt, unpaid wages and fees;

E. claims for violation of the federal, or any state, constitution; and

F. for attorneys' fees and costs.

Notwithstanding the foregoing, nothing herein shall be construed to be a release of claims that are nonwaivable as a matter of law.

2.2 RELEASE OF THE COMPANY AND THE COMPANY GROUP. In consideration for the promises and covenants herein, the Company and the Company Group, on behalf of themselves and their subsidiaries, affiliates, predecessor and successor corporations and assigns, attorneys, agents and insurers (***"Company Releasing Parties"***), hereby fully and forever release, acquit, discharge and covenant not to sue (as a full settlement and as an accord and satisfaction) the WSP Parties and their respective past and present officers, directors, employees, investors, stockholders, administrators, subsidiaries, affiliates, predecessor and successor corporations and assigns, attorneys, agents, and insurers of the WSP Parties (collectively, the ***"WSP Released Parties,"*** and each individually a ***"WSP Released Party"***) of and from any claim, duty, obligation, cause of action, suit, debt, chose in action, contract, warranty, tort, covenant, judgment, execution, liability, damage, interest, fees, costs, sanctions, demands and rights whatsoever, contingent or noncontingent, in law or in equity, relating to any matters of any kind, whether presently known or unknown, suspected or unsuspected, that any of them may possess arising from any omissions, acts or facts that have occurred up until and including the date of this Agreement including, without limitation, any and all claims:

A. which arise out of, or result from, or occurred in connection with the WSP Parties' relationship with or service to the Company, any member of the Company Group or any of their respective affiliated entities, the termination of that relationship or service, any events occurring in the course of that relationship or service, or any events occurring prior to the execution of this Agreement;

B. for breach of contract, both express and implied; breach of a covenant of good faith and fair dealing, both express and implied; negligent or intentional infliction of emotional distress; negligent or intentional misrepresentation; legal malpractice, or negligent or intentional interference with contract or prospective economic advantage; breach of a covenant of good faith and fair dealing, both express and implied; promissory estoppel; negligent or intentional infliction of emotional distress; unfair business practices; defamation; libel; slander; negligence; personal injury; assault; battery; invasion of privacy; false imprisonment and/or conversion;

C. for a violation of any federal, state or municipal statute, regulation or ordinance;

D. relating to unpaid debt and fees;

E. claims for violation of the federal, or any state, constitution; and

F. for attorneys' fees and costs.

Notwithstanding the foregoing, nothing herein shall be construed to be a release of claims that are nonwaivable as a matter of law.

2.3 COMPLETE RELEASE; COVENANT. The Parties agree that the releases set forth in this Agreement shall be and remain in effect in all respects as a complete general release as to the matters released. Each Party represents and agrees that such Party has not filed any lawsuit, arbitration, or other claim against any other Party. Each Party states that it knows of no ongoing or pending investigation, charge, or complaint by any agency charged with enforcement of state, federal, or municipal law or regulation. Pursuant to and as a part of each Party's release and discharge of each other Party, as set forth herein, each Party agrees to the fullest extent permitted by law, not to sue or file a complaint, action, or demand for arbitration against any of the other Parties in any forum or assist or otherwise participate willingly or voluntarily in any claim, arbitration, suit, action, investigation, or other

proceeding of any kind that relates to any matter that involves any of the other Parties, and that occurred up to and including this Agreement. Nothing in the foregoing shall prevent the Parties from (a) commencing an action or proceeding to enforce the Parties' rights arising under this Agreement, the Invention Assignment Agreement or the Consulting Agreement; or (b) responding to a request for information in connection with a government or agency inquiry, investigation or audit.

2.4 NO ADMISSION OF LIABILITY. Neither this Agreement nor any statement contained herein shall be deemed to constitute an admission of liability on the part of the Parties herein released. This Agreement's execution and implementation may not be used as evidence, and shall not be admissible in a subsequent proceeding of any kind, except one alleging a breach of this Agreement or the Consulting Agreement.

2.5 NON-DISPARAGEMENT.

A. For a period of five (5) years after the date of this Agreement, each Party covenants and agrees that such Party shall not make or cause to be made any statements, observations, opinions or communicate any information (whether in written or oral form) that defames or slanders any other Party or tortiously interferes with any other Parity's business relationships. Each Party acknowledges and agrees that any violation of the covenant contained in this Section 2.5 will result in irreparable damage to another Party and that the affected Party shall be entitled to injunctive and other equitable relief. In addition, each Party agrees that should it become necessary for another Party to enforce any of the covenants contained in this Section through any legal, administrative or alternative dispute resolution proceeding, the Party breaching any of the covenants shall reimburse the non-breaching Party for any and all reasonable fees and expenses (legal costs, attorney's fees and otherwise) incurred by such Party in successfully enforcing such covenants and/or prosecuting any such proceeding or appeal therefrom to successful conclusion.

B. Each Party understands and agrees that the affected Party could not be reasonably or adequately compensated in damages in an action at law for breach of a Party's obligations under this Section 2.5. Accordingly, each Party specifically agrees that every other Party shall be entitled to temporary and permanent injunctive relief, specific performance, and other equitable relief to enforce the provisions of this Section 2.5. This provision with respect to injunctive relief shall not, however, diminish the right of the affected Party to claim and recover damages or other remedies in addition to equitable relief.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES

3.1 REPRESENTATIONS AND WARRANTIES OF THE WSP PARTIES. Each of the WSP Parties represents and warrants to the Company Group that (a) this Agreement has been duly authorized, executed and delivered by the WSP Parties and is a valid and binding obligation of the WSP Parties enforceable against the WSP Parties in accordance with its terms, except as enforcement thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or similar laws generally affecting the rights of creditors and subject to general equity principles; and (b) the execution of this Agreement, the consummation of any of the transactions contemplated hereby, and the fulfillment of the terms hereof, in each case in accordance with the terms hereof, will not conflict with, or result in a breach or violation of the organizational documents of WSP as currently in effect; and

3.2 REPRESENTATIONS AND WARRANTIES OF THE COMPANY. The Company hereby represents and warrants to the WSP Parties that (a) this Agreement has been duly authorized, executed and delivered by the Company, and is a valid and binding obligation of the Company enforceable against Company in accordance with its terms, except as enforcement thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or similar laws generally affecting the rights of creditors and subject to general equity principles; and (b) the execution of this Agreement, the consummation of any of the transactions contemplated hereby, and the fulfillment of the terms hereof, in each case in accordance with the terms hereof, will not conflict with, or result in a breach or violation of the organizational documents of the Company as currently in effect.

3.3 NO OTHER REPRESENTATIONS. No Party has relied upon any representations or statements made by any other Party hereto which are not specifically set forth in this Agreement.

ARTICLE 4
MISCELLANEOUS

4.1 CONFIDENTIALITY. Each Party agrees to maintain in confidence the existence of this Agreement, the contents and terms of this Agreement, and the consideration for this Agreement (collectively, the ***"Termination Information"***), *provided*, that the Parties shall be permitted to disclose the Termination Information with the Parties' accountant or financial advisor to the limited extent needed for that person to prepare tax returns, and their attorneys; *provided, further,* that the Company shall be permitted to disclose the Termination Information, as determined necessary by the Company in its discretion, to comply with certain filing requirements under the applicable rules and regulations of the United States Securities and Exchange Commission. Dr. Peters may also share the Termination Information with his spouse.

4.2 SEVERABILITY. Should any provision of this Agreement be declared or be determined by any arbitrator or court of competent jurisdiction to be illegal or invalid, the validity of the remaining parts, terms or provisions shall not be affected thereby and said illegal or invalid part, term, or provision shall be deemed not to be a part of this Agreement.

4.3 ENTIRE AGREEMENT. This Agreement together with the Amended Consulting Agreement represents the entire agreement and understanding between the Company and the WSP Parties concerning the WSP Parties' termination from the Company, and supersedes and replaces any and all prior agreements and understandings concerning the WSP Parties' relationship with the Company and their compensation by the Company, provided, however, that this Agreement does not supersede or modify the Invention Assignment Agreement or any agreement relating to equity in the Company awarded to either of the WSP Parties, which shall remain in full force and effect. This Agreement may only be amended by a writing signed by the WSP Parties and the Company. No waiver of any provision of this Agreement shall be deemed a continuing waiver or a waiver of any other provision.

4.4 ASSIGNMENT. This Agreement may not be assigned by any Party without the prior written consent of the other Parties. This Agreement shall inure to the benefit of, and be binding upon, each Party's respective heirs, legal representatives, successors and assigns.

4.5 GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Minnesota, without regard to its principles of conflicts of laws. In addition, should it become necessary for any Party to seek to enforce any of the covenants contained in this Agreement through any legal, administrative or alternative dispute resolution proceeding, any party deemed to have breached its obligations hereunder shall reimburse the prevailing party its reasonable fees and expenses (legal costs, attorney's fees and otherwise) related thereto.

4.6 COUNTERPARTS/ FACSIMILE SIGNATURE. This Agreement may be executed in one or more counterparts and by facsimile, each of which shall constitute an original and all of which together shall constitute one and the same instrument. Signatures of the parties transmitted by facsimile or via .pdf format shall be deemed to be their original signatures for all purposes.

SIGNATURES ON THE FOLLOWING PAGE

The Parties have executed this Termination and Release Agreement as of the date set forth below.

SUNSHINE HEART, INC.		**WSP TRADING LIMITED**	
By:	/S/ DAVE ROSA	By:	/S/ WILLIAM PETERS
Name:	Dave Rosa	Name:	William Peters
Title:	CEO	Title:	Director

/S/ WILLIAM PETERS
DR. WILLIAM PETERS, individually

SIGNATURE PAGE TO TERMINATION AND RELEASE AGREEMENT

EXHIBIT A

CONSULTING AGREEMENT

THIS CONSULTING SERVICES AGREEMENT (this ***"Agreement"***) is made this 1st day of January, 2015 (the ***"Effective Date"***), between **SUNSHINE HEART, INC.**, a Delaware corporation, having a principal place of business at 12988 Valley View Road, Eden Prairie, Minnesota 55344 (the ***"Company"***), and **DR. WILLIAM PETERS,** whose address is GC/68 Greys Avenue, Auckland Central, Auckland 1010, New Zealand (***"Dr. Peters"***); **WSP TRADING LIMITED,** together with **DR. WILLIAM PETERS,** whose address is GC/68 Greys Avenue, Auckland Central, Auckland 1010, New Zealand (collectively, ***"Consultant"***).

BACKGROUND

The Company desires to retain Consultant, and Consultant desires to be engaged by the Company, to perform certain consulting services pursuant to the terms and conditions of this Agreement.

TERMS AND CONDITIONS

NOW, THEREFORE, in consideration of the foregoing and in the terms, conditions and covenants hereinafter set forth, the Company and Consultant agree as follows:

1. CERTAIN DEFINITIONS. Capitalized terms used in this Agreement and not otherwise defined shall have the following meanings:

(a) ***"Company Documents and Materials"*** means documents or other media, whether in tangible or intangible form, that contain or embody Proprietary Information or any other information concerning the business, operations or plans of the Company, whether such documents or media have been prepared by Consultant or by others. Company Documents and Materials include, without limitation, blueprints, drawings, photographs, charts, graphs, notebooks, tests, test results, experiments, customer lists, computer disks, tapes or printouts, sound recordings and other printed, electronic, typewritten or handwritten documents or information, sample products, prototypes and models.

(b) ***"Inventions"*** means, without limitation, all software programs or subroutines, source or object code, algorithms, improvements, inventions, works of authorship, trade secrets, technology, designs, formulas, ideas, processes, techniques, know-how and data, whether or not patentable or copyrightable, made or discovered or conceived or reduced to practice or developed by Consultant during the term of this Agreement, either alone or jointly with others.

(c) ***"Proprietary Information"*** means information that was or will be developed, created, or discovered by or on behalf of the Company, or which became or will become known to, or was or is conveyed to the Company, which has commercial value in the Company's business, whether or not patentable or copyrightable, including, without limitation, information about software programs and subroutines, source and object code, algorithms, trade secrets, designs, technology, know-how, processes, data, ideas, techniques, inventions, works of authorship, formulae, business and product development plans, customer lists, terms of compensation and performance levels of the Company's employees and consultants, the Company's customers and other information concerning the Company's actual or anticipated business, research or development, or which is received in confidence by or for the Company from any other person or entity.

(d) ***"Services"*** means the consulting services to be performed by Consultant on behalf of the Company described on EXHIBIT A attached hereto.

2. SERVICES. The Company hereby engages Consultant, and Consultant accepts such engagement, to perform the Services. Consultant shall provide the Services at such specific times and at such particular locations as Consultant and the Company mutually determine from time to time. The Company acknowledges and agrees that

Consultant's performance of the Services constitutes "Continuous Services" for the purposes of the equity awards issued to Consultant prior to the Effective Date under the terms and conditions of the Company's equity incentive plans.

3. TERM. The term of this Agreement shall commence on the Effective Date and terminate on the date that is two (2) years following the Effective Date. Notwithstanding the foregoing, either party may terminate this Agreement immediately upon occurrence of any of the following events: (a) the material breach of this Agreement by the other party, which breach is not cured within ten (10) days after written notice of such breach; (b) embezzlement, or fraud; or (c) breach of that certain Termination and Release Agreement between the Company and Consultant (the ***"Termination Agreement").*** Notwithstanding the termination of this Agreement, any liability or obligation of either party which may have accrued prior to such termination shall continue in full force and effect, including but not limited to the rights and obligations of the parties hereto under Sections 6 through 13 and 17 of this Agreement.

4. COMPENSATION. In consideration of Consultant's performance of the Services, during the first twelve months of this Agreement the Company shall pay Consultant $18,000 per month for the Services rendered by Consultant under this Agreement, which amount shall be due and payable on the 15th day of each month. Thereafter, Consultant shall be compensated at a rate of $400 per hour for work performed as agreed upon by the parties.

5. EXPENSES. The Company shall reimburse Consultant for reasonable, documented and actual expenses incurred by Consultant in connection with the performance of the Services; provided, however, that Consultant shall not incur any such expense relating to a single activity or trip in excess of Five Hundred Dollars ($500.00) (the ***"Threshold Amount"***) without first obtaining the written consent and approval of the Company. Consultant shall submit invoices every month for expenses incurred the previous month. The Company shall make any such reimbursement within ten (10) days after receipt of an invoice therefore, accompanied by photocopies of receipts, vouchers or other written evidence of the expenses incurred. The Company shall have no obligation to reimburse Consultant for expenses in excess of the Threshold Amount that were not approved in advance by the Company.

6. CONFIDENTIALITY OF PROPRIETARY INFORMATION.

(a) Nature of Information. Consultant understands that the Company possesses and will possess Proprietary Information which is important to its business. Consultant understands that Consultant's engagement creates a relationship of confidence and trust between the Company and Consultant with respect to Proprietary Information.

(b) Property of the Company. Consultant acknowledges and agrees that all Company Documents and Materials, Proprietary Information and all patents, patent rights, copyrights, trade secret rights, trademark rights and other rights (including, without limitation, intellectual property rights) anywhere in the world in connection therewith is and shall be the sole property of the Company. Consultant hereby assigns to the Company any and all rights, title and interest Consultant may have or acquire in the Proprietary Information or any Company Documents and Materials created during the term of this Agreement.

(c) Confidentiality. At all times, both during the term of Consultant's engagement by the Company and after Consultant's termination, Consultant shall keep in confidence and trust and shall not use or disclose any Proprietary Information or anything relating to it without the prior written consent of the President or other duly designated officer of the Company, except as may be necessary in the ordinary course of performing Consultant's duties for the Company.

(d) Compelled Disclosure. In the event that Consultant is requested in any proceeding to disclose any Proprietary Information, Consultant shall give the Company prompt notice of such request so that the Company may seek an appropriate protective order. If, in the absence of a protective order, Consultant is nonetheless compelled by any court or tribunal of competent jurisdiction to disclose Proprietary Information, Consultant may disclose such information without liability hereunder; provided, however, that Consultant gives the

Company notice of the request to disclose Proprietary Information as far in advance of its disclosure as is practicable.

(e) Records. Consultant agrees to make and maintain adequate and current written records, in a form specified by the Company, of all Inventions, trade secrets and works of authorship assigned or to be assigned to the Company pursuant to this Agreement.

(f) Handling of the Company Documents and Materials. Consultant agrees that during Consultant's engagement by the Company, Consultant shall not remove any Company Documents and Materials from the business premises of the Company or deliver any Company Documents and Materials to any person or entity outside the Company, except as Consultant may be required to do in connection with performing the Services. Consultant further agrees that, if so requested by the Company, Consultant shall return all Company Documents and Materials, apparatus, equipment and other physical property, or any reproduction of such property, excepting only (i) Consultant's personal copies of personnel records and records relating to Consultant's compensation; and (ii) Consultant's copy of this Agreement.

7. INVENTIONS.

(a) Disclosure. Consultant shall promptly disclose in writing to Consultant's supervisor or to such person designated by the Company all Inventions made during the term of Consultant's engagement with the Company related to the Services. Consultant shall also disclose to Consultant's supervisor or such designee all Inventions made, discovered, conceived, reduced to practice or developed by Consultant either alone or jointly with others, within six (6) months after the termination of Consultant's engagement with the Company which resulted, in whole or in part, from Consultant's prior

engagement with the Company and are related to the Services. Such disclosures shall be received by the Company in confidence, to the extent such Inventions are not assigned to the Company pursuant to subsection (b) below, and do not extend the assignments made in such subsection.

(b) Assignment of Inventions to the Company. Consultant agrees that all Inventions which Consultant makes, discovers, conceives, reduces to practice or develops (in whole or in part, either alone or jointly with others) during Consultant's engagement related to the Services, including, but not limited to, conceptions or ideas derived prior to Consultant's engagement but related to the Services and reduced to practice or developed (in whole or in part, either alone or jointly with others) during Consultant's engagement with the Company, shall be the sole property of the Company to the maximum extent permitted by law and Consultant agrees to assign and hereby does assign to the Company all right title and interest to the Inventions.

(c) Works Made for Hire. Consultant agrees that the Company shall be the sole owner of all patents, patent rights, copyrights, trade secret rights, trademark rights and all other intellectual property or other rights in connection with Inventions related to the Services. Consultant further acknowledges and agrees that such Inventions related to the Services, including, without limitation, any computer programs, programming documentation and other works of authorship, are "works made for hire" for purposes of the Company's rights under copyright laws. Consultant hereby assigns to the Company any and all rights, title and interest Consultant may have or acquire in such Inventions.

(d) Cooperation. Consultant agrees to perform, during and after Consultant's engagement, all acts deemed necessary or desirable by the Company to permit and assist it, at the Company's expense, in further evidencing and perfecting the assignments made to the Company under this Agreement and in obtaining, maintaining, defending and enforcing patents, patent rights, copyrights, trademark rights, trade secret rights or any other rights in connection with such Inventions and improvements related to the Services in any and all countries. Such acts may include, without limitation, execution of documents and assistance or cooperation in legal proceedings. Consultant hereby irrevocably designates and appoints the Company and its duly authorized officers and agents, as Consultant's agents and attorney-in-fact, coupled with an interest, to act for and on Consultant's behalf and in Consultant's place and stead, to execute and file any documents, applications or related findings and to do all other lawfully permitted acts to further the purposes set forth above in this Section, including, without limitation, the perfection of assignment and the prosecution and issuance of patents, patent applications, filing with the FDA, copyright applications and registrations, trademark applications and registrations or other rights in

connection with such Inventions and improvements related to the Services with the same legal force and effect as if executed by Consultant.

(e) Assignment or Waiver of Moral Rights. Any assignment of copyright hereunder (and any ownership of a copyright as a work made for hire) includes all rights of paternity, integrity, disclosure and withdrawal and any other rights that may be known as or referred to as "Moral Rights" (collectively, ***"Moral Rights"***). To the extent such Moral Rights cannot be assigned under applicable law and to the extent the following is allowed by the law in the various countries where Moral Rights exist, Consultant hereby waives such Moral Rights and consents to any action of the Company that would violate such Moral Rights in the absence of such consent.

(f) Holdover Assignment.

(i) Consultant agrees to, after the termination of Consultant's engagement with the Company for any reason, (1) disclose immediately to the Company all Inventions related to the Services, patentable or not; (2) assist, at the Company's expense, such applications for United States patents and foreign patents covering such Inventions related to the Services as the Company may reasonably request; (3) assign to the Company without further compensation to Consultant the entire title and rights to all such Inventions and applications related to the Services that Consultant may have, and (4) execute, acknowledge, deliver, or act as otherwise necessary at the request of the Company all such papers, including but not limited to patent applications, assignments, power of attorney, as necessary to secure the Company the full rights to such Inventions and applications related to the Services.

(ii) The Inventions related to the Services which shall come under this Section 7(f) shall include all Inventions related to the Services that (1) Consultant conceives, reduces to practice, or otherwise makes or develops, either solely or jointly with others, within one year after the termination of this Agreement; and (2) are in any way based on any trade secret or confidential or proprietary information that Consultant learned during his engagement with the Company; or result from any work performed by Consultant for the Company under this Agreement.

8. NON-SOLICITATION OR HIRE OF THE COMPANY EMPLOYEES. During the term of this Agreement and for one (1) year thereafter, Consultant shall not encourage or solicit any employee of the Company to leave the Company for any reason or to accept employment with Consultant or any other entity. As part of this restriction, Consultant shall not (a) interview or provide any input to any third party regarding any such employee during such time period, or (b) retain or hire in any capacity, either individually or for any person or entity by which Consultant may be engaged or with which Consultant may be affiliated, any person who is or was employed by the Company at any time during the term of this Agreement and six (6) months after the termination of such engagement. The Company will not encourage or solicit any employee of the Consultant's employer to leave the Consultant's employer for any reason or to accept employment with Consultant's employer or any other entity during the term of this Agreement and for one (1) year thereafter.

9. NON-SOLICITATION OF NON-EMPLOYEES. During the term of this Agreement and for one (1) year thereafter, Consultant shall not interfere with or attempt to impair the relationship between the Company and any of its non-employee consultants and advisors, nor shall Consultant attempt, directly or indirectly, to solicit, entice, hire or otherwise induce any non-employee consultant or advisor of the Company to terminate association with the Company. The Company will not interfere with or attempt to impair the relationship between the Consultant and any non-employee consultants and advisors during the term of this Agreement and for one (1) year thereafter.

10. NON-COMPETITION. During the term of this Agreement and for one (1) year thereafter, Consultant shall not, with or without consideration, render services in any capacity to any person, business, firm or corporation engaged in any business involved in the development of active counter pulsation devices for the treatment of heart failure. Consultant shall not become interested in any such business either directly or indirectly, as partner, stockholder, principal, member, employee, agent, trustee, consultant, or any other relationship or

capacity; provided, however, that such restriction shall not apply with respect to a less than or equal to a one percent (1%) interest in any entity which is publicly traded and listed on a recognized securities exchange.

11. ARRANGEMENT NON-EXCLUSIVE. Consultant agrees that, if during the first three years of this Agreement Consultant enters into an agreement with another entity that is in the business of the development of active counter pulsation devices for the treatment of heart failure, such agreement will constitute a conflict of interest with this Agreement and Consultant shall promptly notify the Company of such conflict in writing. The Company may, at its option, elect to terminate this Agreement upon receipt of Consultant's notice by, and upon, giving notice of such elections to the Consultant.

12. COMPANY AUTHORIZATION FOR PUBLICATION. Prior to Consultant's submitting or disclosing for possible publication or dissemination outside the Company any material prepared by Consultant that incorporates information that concerns the Company's business or anticipated research, Consultant agrees to deliver a copy of such material to the President of the Company for review. Within twenty (20) days following such submission, the Company agrees to notify Consultant in writing whether the Company believes such material contains any Proprietary Information or Inventions related to the Services, and Consultant agrees to make such deletions and revisions as are reasonably requested by the Company to protect its Proprietary Information and Inventions related to the Services. Consultant further agrees to obtain the written consent of the Company prior to any review of such material by persons outside the Company. This paragraph shall apply for a period of five (5) years from the Effective Date of this Agreement.

13. FORMER EMPLOYER INFORMATION. Consultant represents and warrants to the Company that Consultant's performance of all the terms of this Agreement and as a consultant of the Company does not and shall not breach any agreement to keep in confidence Proprietary Information, knowledge or data acquired by Consultant in confidence or in trust prior to Consultant's engagement by the Company, or violate the terms of any covenant not to compete between Consultant and any other person or entity. Consultant shall not disclose to the Company or induce the Company to use any confidential or Proprietary Information or material belonging to any previous employers of Consultant or any other person or entity. Consultant has not entered into and Consultant shall not enter into any agreement, either written or oral, in conflict herewith or in conflict with Consultant's engagement with the Company. Consultant further agrees to conform to the rules and regulations of the Company, so long as Consultant does not deem such conformity to violate legal, ethical or medical professional standards.

14. INDEPENDENT CONTRACTOR. The Company and Consultant mutually understand and agree that Consultant shall be at all times acting and performing as an independent contractor. Nothing in this Agreement is intended to create an employer/employee relationship or a joint venture relationship between the parties. Except as contemplated by the Separation Agreement, the parties agree that Consultant is not eligible for any compensation, fringe benefits, pension, workers' compensation, sickness or health insurance benefits, or other similar benefits accorded employees of the Company. The parties agree that the Company will not withhold any sums for income tax, unemployment insurance, social security, or any other withholding pursuant to any law or requirement of any governmental body on behalf of Consultant. Consultant acknowledges and agrees that the Company has no obligation under local, state, or federal laws to withhold any such sums in connection with payments to Consultant for Services rendered under this Agreement. Nothing in this Agreement is intended to allow the Company to exercise control or direction over the manner or method by which Consultant performs the Services under the terms of Consultant's engagement by the Company.

15. MAINTENANCE OF RECORDS. During the term of this Agreement and, until the expiration of five (5) years after the furnishing of the Services pursuant to this Agreement, Consultant shall make available, upon reasonable written request of the Company or its designee, any records maintained by Consultant regarding any of the Services performed hereunder by Consultant.

16. NO AUTHORITY TO BIND. Consultant shall have no power or authority to execute any agreements or contracts for or on behalf of the Company nor to bind the Company in any other manner.

17. INDEMNIFICATION. Consultant shall save, indemnify, defend and hold the Company harmless from any liability, claim, loss, damage, or expenses, including, without limitation, reasonable attorney fees, arising

from Consultant's acts of fraud or embezzlement. The Company shall save, indemnify, defend and hold Consultant harmless from any liability, claim, loss, damage, or expenses, including, without limitation, reasonable attorney fees, arising from the Company's acts or omissions in the course of performing the Company's obligations arising under the terms and conditions of this Agreement.

18. INJUNCTIVE RELIEF. The Parties acknowledges that breach of any of the provisions of this Agreement could cause a party irreparable injury for which no adequate remedy at law exists. Accordingly, the Parties shall each have the right, in addition to any other rights they may have, and by executing this Agreement hereby consent, to the entry in any court having jurisdiction of a temporary or permanent restraining order or injunction restraining or enjoining any violation of this Agreement.

19. NO ASSIGNMENT. This Agreement may not be assigned by either party without the written consent of the other party.

20. SEVERABILITY. The Parties agree that if one or more provisions of this Agreement are held to be unenforceable under applicable law, such provisions shall be excluded from this Agreement and the balance of the Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

21. BINDING EFFECT. This Agreement shall inure to the benefit of and be binding upon, the Parties and their respective successors and permitted assigns.

22. AMENDMENT. This Agreement may not be amended except by mutual written Agreement of the parties.

23. NOTICES. All notices, requests, demands and other communications shall be in writing and shall be deemed to have been duly given or made if delivered by hand, in which case notice will be deemed effective upon receipt, or, if by mail by certified or registered mail, with postage prepaid to the address of such party set forth in the introductory paragraph of this Agreement or to such address directed by a party in writing, in which case notice will be deemed effective ten (10) business days after mailing. The return receipt, the delivery receipt, or the affidavit of messenger will be deemed conclusive but not exclusive evidence of delivery; delivery will also be presumed at such time as delivery is refused by the addressee upon presentation.

24. ENTIRE AGREEMENT. This Agreement together with the Termination Agreement and other documents and plans referenced herein shall constitute the entire agreement between the parties and supersedes any and all other written or oral agreements between Consultant and the Company with respect to the subject matter of this Agreement.

25. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Minnesota, without regard to its principles of conflicts of laws.

26. COLLECTION COSTS AND ATTORNEYS' FEES. If a party shall fail to perform an obligation or otherwise breaches one or more of the terms of this Agreement, the other party may recover from the non-performing breaching party all its costs (including actual attorneys' and investigative fees) to enforce the terms of this Agreement.

27. COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall constitute an original, and all of which together shall constitute one and the same instrument.

SIGNATURES ON THE FOLLOWING PAGE

IN WITNESS WHEREOF, the Company and Consultant have made this Agreement effective as of the date first set forth above.

THE COMPANY:

SUNSHINE HEART, INC.

By: /s/ Dave Rosa
Name: Dave Rosa
Title: CEO

CONSULTANT:

WSP TRADING LIMITED

By: /s/ William Peters
Name: William Peters
Title: Director

DR. WILLIAM PETERS, individually
Date: /s/ William Peters

SIGNATURE PAGE TO CONSULTING AGREEMENT

EXHIBIT A

DESCRIPTION OF SERVICES

Certain technical services requested by the Company from time to time, up to a maximum of sixty (60) hours per month.

SCHEDULE 1

SUNSHINE HEART INC
VESTED SHARES FOR WILLIAM PETERS AS OF November 30, 2014

STOCK OPTIONS

Certificate No	Name	New Number of Options	Currency of exercise price	Exercise price	Grant Date	Expiration Date	Vesting Schedule	Vesting Commencement Date	Term	Post Split Fair Value per Option	Total Fair Value of grant	Status	Current balance	No. vested	No. unvested
27	William Peters	3,990	US	$ 3.10	31 January 2003	30 January 2013	1/4th after 1yr; 1/48th monthly thereafter	31 January 2003	10 years	0.6289	2,509	exercised	—	—	—
60	William Peters	3,880	AUD	$ 50.00	23 June 2004	5 July 2014	1/4 on 1 yr, then 1/48 per month	28 September 2005	10 years	41.0928	159,440	expired	—	—	—
82	William Peters	2,000	AUD	$ 36.00	1 November 2006	1 November 2016	1/4 on 1 yr, then 1/48 per month	1 November 2007	10 years	17.2800	34,560	current	2,000	2,000	—
84	William Peters	200	AUD	$ 36.00	1 November 2006	1 November 2016	1/4 on 1 yr, then 1/48 per month	1 November 2007	10 years	17.2800	3,456	current	200	200	—
104	William Peters	7,000	AUD	$ 60.00	18 April 2007	31 January 2017	Performance based, 4% vest Jun07	13 June 2007	10 years	8.6800	60,760	96% forfeited	280	280	—
115	William Peters	3,000	AUD	$ 60.00	18 April 2007	18 April 2017	1/4 on 1 yr, then 1/48 per month	18 April 2008	10 years	8.6800	26,040	current	3,000	3,000	—
124	William Peters	488	AUD	$ 40.00	10 July 2008	9 July 2018	Fully Vested	10 July 2008	10 years	14.9400	7,291	current	488	488	—
141	William Peters	4,726	AUD	$ 16.00	21 August 2008	20 August 2018	1/4 on 1 yr, then 1/48 per month	21 August 2009	10 years	2.4600	11,626	current	4,726	4,726	—
168	William Peters	80,745	AUD	$ 7.00	18 August 2011	17 August 2021	1/48th per month	17 March 2011	10 years	6.5576	529,493	current	80,745	74,016	6,729
234	William Peters	25,000	US	$ 6.46	30 January 2013	11 November 2022	1/4 on 1 yr, then 1/36 per month	8 November 2012	10 years	4.2300	105,750	current	25,000	12,500	12,500
306	William Peters	37,073	US	$ 4.95	1 August 2014	1 August 2024	1/4 on 1 yr, then 1/36 per month	1 August 2014	10 years	3.7265	138,153	current	37,073	—	37,073

153,512	97,210	56,302

RSU

Original Grant - 24,716 Shares

Vesting Date	RSUs Vested	RSUs w/h for taxes	Net RSUs Vested
12/1/2014	2,060	680	1,380
1/1/2015	2,060	680	1,380
2/1/2015	2,059	680	1,379
3/1/2015	2,060	680	1,380
4/1/2015	2,060	680	1,380
5/1/2015	2,059	680	1,379
6/1/2015	2,060	680	1,380
7/1/2015	2,060	680	1,380
8/1/2015	2,059	680	1,379
			12,417

Exhibit 31.1

SARBANES-OXLEY SECTION 302 CERTIFICATION

I, David A. Rosa, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Sunshine Heart, Inc. for the quarterly period ended March 31, 2015;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2015

/s/ David A. Rosa
David A. Rosa
Chief Executive Officer

Exhibit 31.2

SARBANES-OXLEY SECTION 302 CERTIFICATION

I, Claudia Drayton, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Sunshine Heart, Inc. for the quarterly period ended March 31, 2015;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2015

/s/ Claudia Drayton
Claudia Drayton
Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report of Sunshine Heart, Inc. (the ***"Company"***) on Form 10-Q for the quarterly period ended March 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the ***"Report"***), I, David A. Rosa, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 7, 2015

/s/ David A. Rosa
David A. Rosa
Chief Executive Officer

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

In connection with the Quarterly Report of Sunshine Heart, Inc. (the ***"Company"***) on Form 10-Q for the quarterly period ended March 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the ***"Report"***), I, Claudia Drayton, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 7, 2015

/s/ Claudia Drayton
Claudia Drayton
Chief Financial Officer