

ROCKWELL MEDICAL, INC.
Form 10-Q
November 05, 2013
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United States
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2013

or

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number: 000-23661

ROCKWELL MEDICAL, INC.

(Exact name of registrant as specified in its charter)

Michigan
(State or other jurisdiction of
incorporation or organization)

38-3317208
(I.R.S. Employer
Identification No.)

30142 Wixom Road, Wixom, Michigan
(Address of principal executive offices)

48393
(Zip Code)

(248) 960-9009

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year,
if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically 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 No

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.

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding as of October 31, 2013
Common Stock, no par value	39,997,961 shares

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Rockwell Medical, Inc.

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As of September 30, 2013 and December 31, 2012

	September 30, 2013 (Unaudited)	December 31, 2012
ASSETS		
Cash and Cash Equivalents	\$ 21,212,826	\$ 4,711,730
Investments Available for Sale	10,004,943	
Accounts Receivable, net of a reserve of \$32,800 in 2013 and \$26,000 in 2012	4,222,411	4,431,932
Inventory	2,814,165	2,649,639
Other Current Assets	687,367	1,356,131
Total Current Assets	38,941,712	13,149,432
Property and Equipment, net	1,705,258	1,858,442
Intangible Assets	541,472	666,744
Goodwill	920,745	920,745
Other Non-current Assets	1,492,214	429,723
Total Assets	\$ 43,601,401	\$ 17,025,086
LIABILITIES AND SHAREHOLDERS EQUITY		
Loan Payable	\$ 571,355	\$
Capitalized Lease Obligations		2,280
Accounts Payable	7,111,561	14,833,565
Accrued Liabilities	10,124,949	12,015,978
Customer Deposits	263,825	135,133
Total Current Liabilities	18,071,690	26,986,956
Long Term Debt	19,428,645	
Shareholders' Equity:		
Common Shares, no par value, 39,997,961 and 21,494,696 shares issued and outstanding	151,396,640	92,866,458
Common Share Purchase Warrants, 1,063,071 and 2,233,240 warrants issued and outstanding	5,158,558	7,178,929
Accumulated Deficit	(150,458,464)	(110,007,257)
Accumulated Other Comprehensive Income	4,332	
Total Shareholders' Equity (Deficit)	6,101,066	(9,961,870)
Total Liabilities And Shareholders' Equity	\$ 43,601,401	\$ 17,025,086

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

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ROCKWELL MEDICAL, INC. AND SUBSIDIARY

CONSOLIDATED INCOME STATEMENTS

For the three and nine months ended September 30, 2013 and September 30, 2012

(Unaudited)

	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Sales	\$ 13,094,381	\$ 12,689,339	\$ 38,414,919	\$ 36,842,546
Cost of Sales	11,461,100	11,043,412	33,815,593	31,851,344
Gross Profit	1,633,281	1,645,927	4,599,326	4,991,202
Selling, General and Administrative	3,386,367	3,325,411	10,541,124	9,048,474
Research and Product Development	10,611,219	16,238,450	33,588,458	36,520,393
Operating Income (Loss)	(12,364,305)	(17,917,934)	(39,530,256)	(40,577,665)
Interest and Investment Income, net	13,546	42,296	28,784	230,484
Interest Expense	857,505	137	949,735	846
Income (Loss) Before Income Taxes	(13,208,264)	(17,875,775)	(40,451,207)	(40,348,027)
Income Tax Expense				
Net Income (Loss)	\$ (13,208,264)	\$ (17,875,775)	\$ (40,451,207)	\$ (40,348,027)
Basic Earnings (Loss) per Share	\$ (.34)	\$ (.86)	\$ (1.32)	\$ (1.99)
Diluted Earnings (Loss) per Share	\$ (.34)	\$ (.86)	\$ (1.32)	\$ (1.99)

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

Table of Contents**ROCKWELL MEDICAL, INC. AND SUBSIDIARY****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)****For the three and nine months ended September 30, 2013 and September 30, 2012**

(Unaudited)

	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Net Income (Loss)	\$ (13,208,264)	\$ (17,875,775)	\$ (40,451,207)	\$ (40,348,027)
Unrealized Gain on Available-for-Sale Investments	4,332	148,907	4,332	254,069
Comprehensive Income (Loss)	\$ (13,203,932)	\$ (17,726,868)	\$ (40,446,875)	\$ (40,093,958)

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

Table of Contents**ROCKWELL MEDICAL, INC. AND SUBSIDIARY****CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY****For the nine months ended September 30, 2013**

(Unaudited)

	COMMON SHARES		PURCHASE WARRANTS		ACCUMULATED	ACCUMULATED	OTHER	TOTAL
	SHARES	AMOUNT	WARRANTS	AMOUNT	DEFICIT	COMPREHENSIVE	SHAREHOLDER	S
						INCOME (LOSS)	EQUITY	
Balance as of December 31, 2012	21,494,696	\$ 92,866,458	2,233,240	\$ 7,178,929	\$ (110,007,257)	\$	\$	(9,961,870)
Net Loss					(40,451,207)			(40,451,207)
Unrealized Gain (Loss) on Available-for-Sale Investments						4,332		4,332
Issuance of Common Shares	17,942,432	50,260,374						50,260,374
Shares Issued in Exchange for Services	200,000	392,000						392,000
Purchase Warrant Expense				1,043,344				1,043,344
Exercise of Purchase Warrants	50,833	762,221	(161,833)	(397,240)				364,981
Expiration of Purchase Warrants		2,666,475	(1,008,336)	(2,666,475)				
Stock Option Based Expense		3,026,933						3,026,933
Restricted Stock Issuance	310,000							
Restricted Stock Amortization		1,422,179						1,422,179
Balance as of September 30, 2013	39,997,961	\$ 151,396,640	1,063,071	\$ 5,158,558	\$ (150,458,464)	\$ 4,332	\$	6,101,066

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

Table of Contents**ROCKWELL MEDICAL, INC. AND SUBSIDIARY****CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the nine months ended September 30, 2013 and September 30, 2012

(Unaudited)

	2013	2012
Cash Flows From Operating Activities:		
Net (Loss)	\$ (40,451,207)	\$ (40,348,027)
Adjustments To Reconcile Net Loss To Net Cash Used In Operating Activities:		
Depreciation and Amortization	752,360	828,676
Share Based Compensation - Non-employee	1,435,344	1,309,502
Share Based Compensation- Employees	4,449,110	3,727,224
Non-cash Interest Expense	426,938	
Loss (Gain) on Disposal of Assets	15,500	26,340
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	209,521	(95,917)
(Increase) in Inventory	(164,526)	(167,940)
Decrease in Other Assets	606,263	1,233,592
Increase (Decrease) in Accounts Payable	(7,722,004)	2,726,145
Increase (Decrease) in Other Liabilities	(2,079,489)	7,184,330
Changes in Assets and Liabilities	(9,150,235)	10,880,210
Cash Provided By (Used In) Operating Activities	(42,522,190)	(23,576,075)
Cash Flows From Investing Activities:		
Purchase of Equipment	(496,302)	(381,400)
Proceeds on Sale of Assets	6,898	1,578
Purchase of Intangible Assets		(550,000)
Sale of Investments Available for Sale		3,986,750
(Purchase) of Investments Available for Sale	(10,000,611)	(2,000,000)
Cash (Used In) Investing Activities	(10,490,015)	1,056,928
Cash Flows From Financing Activities:		
Proceeds from the Issuance of Common Shares and Purchase Warrants	50,625,357	17,983,844
Proceeds from the Issuance of Notes Payable	20,000,000	
Debt Issuance Costs	(1,109,776)	
Payments on Capital Lease Obligations	(2,280)	(5,672)
Cash Provided By Financing Activities	69,513,301	17,978,172
Increase (Decrease) In Cash	16,501,096	(4,540,975)
Cash At Beginning Of Period	4,711,730	5,715,246
Cash At End Of Period	\$ 21,212,826	\$ 1,174,271

Supplemental Cash Flow disclosure

	2013		2012
Interest Paid	\$ 522,797	\$	846

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

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Rockwell Medical, Inc. and Subsidiary

Notes to Consolidated Financial Statements

1. Description of Business

Rockwell Medical, Inc. and Subsidiary (collectively, we, our, us, or the Company) is a fully-integrated pharmaceutical company targeting end-stage renal disease (ESRD) and chronic kidney disease (CKD) with innovative products and services for the treatment of iron deficiency, secondary hyperparathyroidism and hemodialysis.

Rockwell's lead drug candidate, Triferic, also known as Soluble Ferric Pyrophosphate (SFP), in late-stage clinical development, is an iron replacement therapy for dialysis patients. The Company has completed the efficacy portion of its Phase 3 clinical studies (CRUISE-1 and CRUISE-2) and is preparing to file a new drug application for Triferic with the U. S. Food and Drug Administration (FDA).

Rockwell is preparing to launch its FDA approved generic drug, Calcitriol, to treat secondary hyperparathyroidism in dialysis patients. Calcitriol active vitamin D injection is indicated in the management of hypocalcemia in patients undergoing chronic renal dialysis. Rockwell intends to launch Calcitriol as soon as it receives FDA manufacturing approval.

Rockwell is also an established manufacturer and leader in delivering high-quality hemodialysis concentrates/dialysates to dialysis providers and distributors in the U.S. and abroad. Rockwell's products are used to maintain human life, by removing toxins and replacing critical nutrients in the dialysis patient's bloodstream. Rockwell has three manufacturing and distribution facilities located in the U.S. and its operating infrastructure is a ready-made sales and distribution channel that is able to provide seamless integration into the commercial market for its drug products, Calcitriol and Triferic upon FDA market approval.

We are regulated by the FDA under the Federal Drug and Cosmetics Act, as well as by other federal, state and local agencies. We have received 510(k) approval from the FDA to market hemodialysis solutions and powders and related equipment.

We have obtained global licenses for certain dialysis related drugs which we are developing and are seeking FDA approval to market. We plan to devote substantial resources to the development, testing and FDA approval of our lead drug candidate.

2. Summary of Significant Accounting Policies

Basis of Presentation

Our consolidated financial statements include our accounts and the accounts for our wholly owned subsidiary, Rockwell Transportation, Inc. All intercompany balances and transactions have been eliminated in consolidation. The accompanying consolidated financial statements have been prepared using accounting principles generally accepted in the United States of America, or GAAP, and with the instructions to Form 10-Q and Securities and Exchange Commission Regulation S-X as they apply to interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. The balance sheet at December 31, 2012 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by GAAP for complete financial statements.

In the opinion of our management, all adjustments have been included which are necessary to make the financial statements not misleading. All of these adjustments that are material are of a normal and recurring

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nature. Our operating results for the three and nine months ended September 30, 2013 are not necessarily indicative of the results to be expected for the year ending December 31, 2013. You should read our unaudited interim financial statements together with the financial statements and related footnotes for the year ended December 31, 2012 included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012. Our Annual Report on Form 10-K for the fiscal year ended December 31, 2012 includes a description of our significant accounting policies.

Revenue Recognition

We recognize revenue at the time we transfer title to our products to our customers consistent with generally accepted accounting principles. Generally, we recognize revenue when our products are delivered to our customer's location consistent with our terms of sale. We recognize revenue for international shipments when title has transferred consistent with standard terms of sale.

We require certain customers, mostly international customers, to pay for product prior to the transfer of title to the customer. Deposits received from customers and payments in advance for orders are recorded as liabilities under Customer Deposits until such time as orders are filled and title transfers to the customer consistent with our terms of sale.

Cash and Cash Equivalents

We consider cash on hand, money market funds, unrestricted certificates of deposit and short term marketable securities with an original maturity of 90 days or less as cash and cash equivalents.

Investments Available for Sale

Investments Available for Sale are short-term investments, consisting of investments in short term duration bond funds, and are stated at fair value based upon observed market prices (Level 1 in the fair value hierarchy). These funds generally hold high credit quality short term debt instruments. These instruments are subject to changes in fair market value due primarily to changes in interest rates. The fair value of these investments was \$10,004,943 as of September 30, 2013. There were no investments held as of December 31, 2012. Unrealized holding gains or losses on these securities are included in accumulated other comprehensive income (loss). Realized gains and losses, including declines in value judged to be other-than-temporary on available-for-sale securities are included as a component of other income or expense. Gross unrealized gains were \$6,338 and gross unrealized losses were \$2,006 as of September 30, 2013.

The Company evaluated the near term interest rate environment, the expected holding period of the investments along with the duration of the fund portfolios in assessing the severity and duration of the potential impairment. Based on that evaluation the Company does not consider those investments to be other-than-temporarily impaired at September 30, 2013.

Research and Product Development

We recognize research and product development expenses as incurred. We incurred product development and research costs related to the commercial development, patent approval and regulatory approval of new products, including our anemia related iron maintenance drug candidate, Triferic , aggregating approximately \$33.6 million and \$36.5 million for the nine months ended September 30, 2013 and 2012, respectively. We are conducting human clinical trials on Triferic . We recognize the costs of the human clinical trials as the costs are incurred and services performed over the duration of the trials.

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We computed our basic earnings (loss) per share using weighted average shares outstanding for each respective period. Diluted earnings per share also reflect the weighted average impact from the date of issuance of all potentially dilutive securities, consisting of stock options and common share purchase warrants, unless inclusion would have had an anti-dilutive effect. The calculation of basic weighted average shares outstanding excludes unvested restricted stock. Actual weighted average shares outstanding used in calculating basic and diluted earnings per share were:

	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Basic Weighted Average Shares Outstanding	39,327,994	20,726,967	30,652,944	20,244,518
Effect of Dilutive Securities				
Diluted Weighted Average Shares Outstanding	39,327,994	20,726,967	30,652,944	20,244,518

3. Inventory

Components of inventory as of September 30, 2013 and December 31, 2012 are as follows:

	September 30, 2013	December 31, 2012
Raw Materials	\$ 1,085,794	\$ 1,018,648
Work in Process	215,613	179,922
Finished Goods	1,512,758	1,451,069
Total	\$ 2,814,165	\$ 2,649,639

4. Loans Payable

As of June 14, 2013, the Company entered into a loan and security agreement (the "Loan Agreement") with Hercules Technology III, L.P. ("Hercules") pursuant to which the Company received a loan in the aggregate principal amount of \$20.0 million. The Company is required to repay the aggregate principal balance under the Loan Agreement in 30 equal monthly installments of principal and interest commencing on September 1, 2014.

The loan will mature and become due on March 1, 2017, subject to adjustment as provided below, and will bear interest at the greater of (i) 12.50% plus the prime rate as reported in The Wall Street Journal minus 3.25%, or (ii) 12.50%. The Company will be required to make monthly interest only payments through August 31, 2014. Monthly principal and interest payments will be due on the loan following the interest only period through the maturity date. The loan may be prepaid at any time after June 14, 2014 without penalty and will mature and become due

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upon any change in control of the Company. The Company paid debt issuance costs of \$1.1 million including a fee of \$0.2 million at closing to Hercules, which are recorded as a noncurrent asset, and is required to pay a fee of \$1.1 million upon any prepayment or at maturity. The \$1.1 million fee due upon any prepayment or at maturity is accrued using the effective interest rate method over the life of the loan. The effective interest rate of the loan is 14.5%.

In connection with the loan, the Company granted Hercules a security interest in substantially all of the Company's assets other than motor vehicles, real property and certain intellectual property and other interests. The Loan Agreement provides for standard indemnification of Hercules and contains representations, warranties and non-financial covenants of the Company. The Loan Agreement contains covenants that, among other things, limit the Company's ability to incur additional indebtedness, transfer assets, acquire assets or merge with

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another entity and pay dividends to the Company's shareholders. The Loan Agreement defines event of default, to include, among other events, the occurrence of an event that results in a material adverse effect upon the Company's business operations, properties, assets or condition (financial or otherwise), the collateral or the perfection of the security interest, or the Company's ability to perform its obligations under the Loan Agreement. The Company was in compliance with the terms of the Loan Agreement and there was no event of default as of September 30, 2013.

The balance of the above debt matures at September 30, 2013 as follows:

2013 (remainder of year)	\$	
2014		2,308,145
2015		7,544,935
2016		8,555,035
2017		1,591,885
Total Principal Payable	\$	20,000,000

Interest accrued on the loan payable through September 30, 2013 was \$208,333.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements and the Notes thereto included elsewhere in this report. References in this report to we, our and us are references to Rockwell Medical, Inc. and its subsidiary.

Forward-Looking Statements

We make forward-looking statements in this report and may make such statements in future filings with the Securities and Exchange Commission, or SEC. We may also make forward-looking statements in our press releases or other public or shareholder communications. Our forward-looking statements are subject to risks and uncertainties and include information about our expectations and possible or assumed future results of our operations. When we use words such as may, might, will, should, believe, expect, anticipate, estimate, continue, projected, intend, or similar expressions, or make statements regarding our intent, belief, or current expectations, we are making forward-looking statements. Our forward looking statements also include, without limitation, statements about our competitors, statements regarding the timing and costs of obtaining FDA approval of our new drug Triferic also known as Soluble Ferric Pyrophosphate and statements regarding our anticipated future financial condition, operating results, cash flows and business plans.

We claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 for all of our forward-looking statements. While we believe that our forward-looking statements are reasonable, you should not place undue reliance on any such forward-looking statements, which are based on information available to us on the date of this report or, if made elsewhere, as of the date made. Because these forward-looking statements are based on estimates and assumptions that are subject to significant business,

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economic and competitive uncertainties, many of which are beyond our control or are subject to change, actual results could be materially different. Factors that might cause such a difference include, without limitation, the risks and uncertainties discussed below and elsewhere in this report, and from time to time in our other reports filed with the SEC, including, without limitation, in Item 1A Risk Factors in our Form 10-K for the year ended December 31, 2012.

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- The dialysis provider market is highly concentrated in national and regional dialysis chains that account for the majority of our domestic revenue. Our business is substantially dependent on a few customers that account for a substantial portion of our sales. The loss of any of these customers would have a material adverse effect on our results of operations and cash flow.

- We operate in a very competitive market against a substantially larger competitor with greater resources.

- Our lead drug candidate requires FDA approval and expensive clinical trials before it can be marketed.

- Even if we receive FDA approval to manufacture and market our new drug products, we may not be able to market them successfully.

- We may require additional financing to achieve our goals, and such financing may result in dilution to shareholders or restrictions on our ability to operate our business. A failure to obtain capital if needed, could force us to delay, limit, reduce or terminate our product development or commercialization efforts.

- We may not be successful in maintaining our gross profit margins.

- We depend on government funding of health care.

- Health care reform could adversely affect our business.

- We depend on key personnel.

- Our business is highly regulated.

- We depend on contract research organizations and independent clinicians to manage and conduct our clinical trials and if they fail to follow our protocol or meet FDA regulatory requirements our clinical trial data and results could be compromised delaying our development plans or causing us to do more testing than planned.

- Foreign approvals to market our new drug products may be difficult to obtain.
- We could be prevented from selling products, forced to pay damages and compelled to defend against litigation if we infringe the rights of a third party.
- We may not have sufficient products liability insurance.
- Our Board of Directors is subject to potential deadlock.
- Shares eligible for future sale may affect the market price of our common shares.
- We could have a material weakness in our internal control over financial reporting, which, until remedied, could result in errors in our financial statements requiring restatement of our financial statements. As a result, investors may lose confidence in our reported financial information, which could lead to a decline in our stock price.
- The market price of our securities may be volatile.
- Voting control and anti-takeover provisions reduce the likelihood that you will receive a takeover premium.
- We do not anticipate paying dividends in the foreseeable future.

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Other factors not currently anticipated may also materially and adversely affect our results of operations, cash flow and financial position. There can be no assurance that future results will meet expectations. We do not undertake, and expressly disclaim, any obligation to update or alter any statements whether as a result of new information, future events or otherwise, except as may be required by applicable law.

Overview and Recent Developments

Rockwell Medical, Inc. is a fully-integrated pharmaceutical company targeting end-stage renal disease and chronic kidney disease with innovative products and services for the treatment of iron deficiency, secondary hyperparathyroidism and hemodialysis. We are also an established manufacturer and leader in delivering high-quality hemodialysis concentrates/dialysates to dialysis providers and distributors in the U.S. and abroad.

We are developing unique, proprietary renal drug therapies. These novel renal drug therapies support disease management initiatives to improve the quality of life and care of dialysis patients and are designed to deliver safe and effective therapy, while decreasing drug administration costs and improving patient convenience and outcome.

Our strategy is to develop high potential drugs while expanding our dialysis products business. Our dialysis products business generally has been cash flow positive, excluding research and development expenses, and provides a ready-made sales and distribution infrastructure to market our drugs and other related products used in dialysis.

Our product development costs were primarily related to Triferic[®], our lead drug which is nearing completion of its clinical program. Both of our pivotal efficacy studies reported successful top line results in the third quarter of 2013, with both studies having met their primary efficacy end point and all key secondary end points, and having demonstrated a very good safety profile. The recently released results of our large scale safety study provide further confirmation of Triferic[®]'s good safety profile.

Based upon clinical data to date, we believe Triferic[®] has unique and substantive benefits compared to current treatment options. Obtaining regulatory approval for a drug in the United States is expensive and can take several years. We expect to incur substantial costs related to product testing and development in 2013 and to a lesser extent for regulatory approval in 2014. We expect to incur losses from operations in 2013 largely as a result of the cost of the Triferic[®] clinical development program.

We completed a multi-year extension of the supply agreement with our largest customer during the second quarter of 2013 and anticipate future volume and revenue growth from this agreement due to an increase in the minimum number of committed clinics, but do not expect a material change in gross profit margins as a result of the extension.

As of September 30, 2013 we had \$31.2 million in cash, cash equivalents and investments. In March and May 2013, we completed common stock offerings for a total of approximately \$49.7 million in net proceeds. In June 2013 we entered into a loan agreement and borrowed \$20.0 million. We believe these cash resources are adequate for the Company to complete the regulatory approval for Triferic[®] through its commercialization. The Company expects to launch Triferic[®] immediately following FDA approval, if received, and to largely use its existing

sales, marketing and business infrastructure in support of the Triferic commercial development.

In 2011, we acquired an FDA approved generic vitamin D injection, Calcitriol, indicated in the treatment of secondary hyperparathyroidism, which is common in ESRD patients. We have submitted the necessary manufacturing data to the FDA to obtain commercial marketing approval and intend to begin marketing Calcitriol following regulatory approval from the FDA. We anticipate that our gross profit margins will be favorably impacted by revenue from Calcitriol once we obtain FDA approval for manufacturing changes.

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We may experience changes in our customer and product mix in future quarters that could impact gross profit, since we sell a wide range of products with varying profit margins and to customers with varying order patterns. These changes in mix may cause our gross profit and our gross profit margins to vary period to period.

The majority of our business is with domestic clinics who order routinely. From time to time, we have experienced volatility in international orders.

Results of Operations for the Three and Nine Months Ended September 30, 2013 and September 30, 2012

Sales

Sales in the third quarter of 2013 were \$13.1 million compared to \$12.7 million in the third quarter of 2012, an increase of 3.2%. Domestic sales increased 5.3% compared to the third quarter last year. Sales increased due to growth in our CitraPure® product lines, which increased significantly in the third quarter, reflective of increased market adoption and to a lesser extent, as a result of the expansion of the supply agreement with our largest customer in May 2013.

Sales in the first nine months of 2013 were \$38.4 million compared to \$36.8 million in the first nine months of 2012 an increase of \$1.6 million or 4.3%. Domestic sales accounted for the majority of the increase with sales up 4.5% led by growth in CitraPure ® sales and, to a lesser extent, an expansion of a multi-year supply agreement with our largest customer.

Gross Profit

Gross profit dollars in the third quarter of 2013 and 2012 were \$1.6 million while gross profit margins in the third quarter of 2013 were 12.5% compared to 13.0 % in the third quarter of 2012. The decrease in margin was due to inflationary cost increases for our raw materials.

Gross profit margins for the first nine months of 2013 were 12.0 % compared to 13.5 % in the first nine months of 2012. Gross profit dollars year to date were \$4.6 million compared to \$5.0 million in the first nine months of 2012. The decrease in gross profit was primarily due to higher material costs coupled with increased operating costs compared to the nine months of 2012. Operating costs increased due to inflation and increased costs due to government regulations.

Selling, General and Administrative Expense

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Selling, general and administrative expense during the third quarter of 2013 was \$3.4 million compared to \$3.3 million in the third quarter of 2012. Non-cash equity compensation was \$1.9 million in the third quarter of 2013 compared to \$2.0 million in the third quarter of 2012. We recognized an increase of \$0.1 million related to the mandated medical device tax in the third quarter of 2013.

Selling, general and administrative expense in the first nine months of 2013 was \$10.5 million compared to \$9.0 million in the first nine months of 2012. We incurred a non-cash charge of \$0.9 million related to the extension of certain common stock purchase warrants in 2013 and those warrants expired during the third quarter of 2013. We also recognized an increase in cost related to the recently mandated medical device tax of \$0.6 million in the first nine months of 2013.

Research and Development

Research and development cost was \$10.6 million in the third quarter of 2013 compared to \$16.2 million in the third quarter of 2012. Research and development costs in the first nine months of 2013 were \$33.6 million compared to \$36.5 million in the first nine months of 2012. Spending in both years was primarily for clinical

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testing and development of Triferic with the decrease in 2013 due to completion of certain testing associated with the Triferic Phase 3 clinical program. We anticipate substantial spending for clinical development and regulatory approval for Triferic until the clinical program for Triferic is completed and our new drug application for Triferic is submitted to the FDA.

Interest Expense, Net

Our net interest expense was \$844,000 in the third quarter of 2013 compared to net interest and investment income of \$42,000 in the third quarter of 2012. Year to date net interest expense was \$921,000 compared to net interest and investment income of \$230,000 in the first nine months of 2012. The increase in net interest expense was due to the loan obligation entered into in June 2013 coupled with reduced net interest and investment income due to lower funds available for investment in 2013 compared to 2012.

Liquidity and Capital Resources

We expect to expend a portion of our capital resources for our clinical development program and to complete the process of seeking regulatory approval for Triferic in the United States. Once completed, we expect these costs to decrease substantially. Costs for research and development were \$33.6 million in the first nine months of 2013 compared to \$36.5 million in the first nine months of 2012. We also reduced our accounts payable by \$7.7 million and other accrued liabilities by \$1.9 million in the first nine months of 2013.

Our cash resources include cash generated from the proceeds of equity offerings, including the receipt of \$12.0 million in net proceeds from an equity offering completed in March 2013 and \$37.7 million in an equity offering completed in May 2013. We also borrowed \$20.0 million in June 2013. The repayment and other terms of the loan are described in Note 4 to the accompanying consolidated financial statements.

We had \$31.2 million in cash and investments as of September 30, 2013. Our current assets were \$38.9 million and our current liabilities were \$18.1 million as of September 30, 2013. In the first nine months of 2013, our cash and investments increased by \$26.5 million as a result of our recent financing activities, partially offset by expenditures in our clinical development program.

We believe we have adequate cash resources to fund our current development and commercialization plans for Triferic. We are evaluating various business development and strategic partnering options which may provide additional financial resources.

Our contractual obligations are described in our Form 10-K for the year ended December 31, 2012. There have been no material changes to that information since December 31, 2012, other than incurrence of the \$20 million loan described in Note 4 to the accompanying consolidated financial statements.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

Our current exposure to interest rate risk is limited to changes in interest rates on short term investments of cash. As of September 30, 2013, we had \$10.0 million invested in available for sale short term bond funds which typically yield higher returns than interest realized in money funds.

While these funds hold bonds of short term duration, their market value is affected by changes in interest rates. Increases in interest rates will reduce the market value of bonds held in these funds and we may incur unrealized losses from the reduction in market value of the fund. If we liquidate our position in these funds, those unrealized losses may result in realized losses which may or may not exceed the interest and dividends earned from those funds. However, due to the short duration of these short term bond fund portfolios, we do not believe that an immediate 100 basis point increase or decrease in interest rates would have a material impact on the value of our investment portfolio.

Foreign Currency Exchange Rate Risk

Our international business is conducted in U.S. dollars. It has not been our practice to hedge the risk of appreciation of the U.S. dollar against the predominant currencies of our trading partners. We have no significant foreign currency exposure to foreign supplied materials, and an immediate 10% strengthening or weakening of the U.S. dollar would not have a material impact on our shareholders' equity or net income.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Management is responsible for establishing and maintaining effective disclosure controls and procedures, as defined under Rule 13a-15 of the Securities Exchange Act of 1934, as amended, that are designed to ensure that material information required to be disclosed in our reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required financial disclosure. In designing and evaluating the disclosure controls and procedures, we recognized that a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. Management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

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As of the end of the period covered by this report, we carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective, at the reasonable assurance level, as of the end of the period covered by this report.

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Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15 under the Exchange Act) during the most recently completed fiscal quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1A. Risk Factors

For information regarding risk factors affecting us, see **Risk Factors** in Item 1A of Part I of our 2012 Annual Report on Form 10-K. There have been no material changes to the risk factors described in such Form 10-K, except as described in our Quarterly Report on Form 10-Q for the period ended June 30, 2013.

Item 6. Exhibits

See Exhibit Index following the signature page, which is incorporated herein by reference.

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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.

ROCKWELL MEDICAL, INC.
(Registrant)

Date: November 5, 2013

/s/ ROBERT L. CHIOINI
Robert L. Chioini
President and Chief Executive
Officer (principal
executive officer) (duly authorized
officer)

Date: November 5, 2013

/s/ THOMAS E. KLEMA
Thomas E. Klema
Vice President and Chief
Financial Officer
(principal financial
officer and principal accounting
officer)

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10-Q EXHIBIT INDEX

The following documents are filed as part of this report or were previously filed and incorporated herein by reference to the filing indicated. Exhibits not required for this report have been omitted. Our Commission file number is 000-23661.

Exhibit No.	Description
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934
32.1	Certification pursuant to 18 U.S.C. Section 1350 and Rule 13a-14(b) of the Securities Exchange Act of 1934
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Database
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase