

ARRHYTHMIA RESEARCH TECHNOLOGY INC /DE/
Form 10-Q
May 12, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10 Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2016 or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

001-9731

(Commission file No.)

ARRHYTHMIA RESEARCH TECHNOLOGY, INC.

(Exact name of registrant as specified in its charter)

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DELAWARE

(State or other jurisdiction of incorporation or organization)

72 0925679

(I.R.S. employer identification no.)

25 Sawyer Passway

Fitchburg, Massachusetts 01420

(Address of principal executive offices and zip code)

(978) 345-5000

(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 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. (Check one):

Large Accelerated filer Accelerated filer Non Accelerated filer 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

As of May 12, 2016 there were 2,816,639 shares of the Company's common stock outstanding.

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Arrhythmia Research Technology, Inc.

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PART I - CONDENSED FINANCIAL STATEMENTS

Item 1. Condensed Consolidated Financial Statements (unaudited)

Arrhythmia Research Technology, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets

(unaudited)

	March 31, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 220,299	\$ 272,291
Trade accounts receivable, net of allowance for doubtful accounts of \$60,000 at March 31, 2016 and December 31, 2015	3,339,549	2,798,353
Inventories	2,115,071	2,118,712
Prepaid expenses and other current assets	637,529	614,129
Total current assets	6,312,448	5,803,485
Property, plant and equipment, net	6,638,327	6,626,069
Assets held for sale, net	665,000	665,000
Intangible assets, net	18,206	18,645
Other assets	239,480	268,835
Total assets	\$ 13,873,461	\$ 13,382,034
Liabilities and Shareholders' Equity		
Current liabilities:		
Equipment line of credit, current portion	51,299	35,718
Term notes payable, current portion	596,255	589,635
Subordinated promissory notes	480,056	473,135
Accounts payable	1,671,531	1,553,388
Accrued expenses and other current liabilities	374,769	275,777
Customer deposits	359,662	93,407
Deferred revenue, current	258,543	272,837
Total current liabilities	3,792,115	3,293,897
Long-term liabilities:		
Revolving line of credit, non-current portion	1,981,495	1,511,495

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Equipment line of credit, non-current portion	285,551	301,132
Term notes payable, non-current portion	969,209	1,120,652
Deferred revenue, non-current	280,279	272,181
Total long-term liabilities	3,516,534	3,205,460
Total liabilities	7,308,649	6,499,357
Commitments and Contingencies		
Shareholders' equity:		
Preferred stock, \$0.001 par value; 2,000,000 shares authorized, none issued	—	—
Common stock, \$0.01 par value; 10,000,000 shares authorized; 3,926,491 issued, 2,816,639 outstanding at March 31, 2016 and 3,926,491 issued, 2,801,639 outstanding at December 31, 2015	39,265	39,265
Additional paid-in-capital	11,406,887	11,381,536
Treasury stock at cost, 1,109,852 shares at March 31, 2016 and 1,124,852 shares at December 31, 2015	(3,028,564)	(3,069,496)
Accumulated deficit	(1,852,776)	(1,468,628)
Total shareholders' equity	6,564,812	6,882,677
Total liabilities and shareholders' equity	\$ 13,873,461	\$ 13,382,034

See accompanying notes to condensed consolidated financial statements.

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Arrhythmia Research Technology, Inc. and Subsidiaries

Condensed Consolidated Statements of Operations

(unaudited)

	Three Months Ended March 31,	
	2016	2015
Net sales	\$ 4,983,281	\$ 5,858,342
Cost of sales	4,298,162	5,061,946
Gross profit	685,119	796,396
Selling and marketing	293,346	257,972
General and administrative	690,635	648,227
Research and development	25,843	92,561
Total operating expenses	1,009,824	998,760
Net loss from continuing operations	(324,705)	(202,364)
Other expense:		
Interest expense	(60,220)	(65,693)
Other income, net	777	13,509
Total other expense, net	(59,443)	(52,184)
Loss from continuing operations before income taxes	(384,148)	(254,548)
Income tax provision	—	—
Loss from continuing operations	(384,148)	(254,548)
Discontinued Operations:		
Income from discontinued operations, net of tax provision of \$0 for the three months ended March 31, 2016 and 2015	—	362,610
Net income (loss)	\$ (384,148)	\$ 108,062
Earnings (loss) per share - basic		
Continuing operations	\$ (0.14)	\$ (0.09)
Discontinued operations	—	0.13
Earnings (loss) per share - basic	\$ (0.14)	\$ 0.04
Earnings (loss) per share - diluted		
Continuing operations	\$ (0.14)	\$ (0.09)
Discontinued operations	—	0.13
Earnings (loss) per share - diluted	\$ (0.14)	\$ 0.04
Weighted average common shares outstanding - basic	2,816,144	2,778,935
Weighted average common shares outstanding - diluted	2,816,144	2,877,599

See accompanying notes to condensed consolidated financial statements.

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Arrhythmia Research Technology, Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows

(unaudited)

	Three Months Ended March 31,	
	2016	2015
Cash flows from operating activities:		
Net income (loss)	\$ (384,148)	\$ 108,062
Income from discontinued operations	—	(362,610)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
(Gain) loss on sale of property, plant and equipment	—	(11,029)
Depreciation and amortization	361,440	356,382
Non-cash interest expense	6,921	6,921
Change in allowance for doubtful accounts	—	3,000
Share-based compensation expense	15,133	7,186
Changes in operating assets and liabilities:		
Accounts receivable	(541,196)	(476,322)
Inventories	3,641	(11,947)
Prepaid expenses and other current assets	(23,400)	(96,785)
Other non-current assets	29,355	168,405
Accounts payable	118,143	411,677
Accrued expenses and other current liabilities	350,954	357,803
Other non-current liabilities	8,097	(185,641)
Net cash provided by (used in) operating activities	(55,060)	275,102
Cash flows from investing activities:		
Purchases of property, plant and equipment	(373,259)	(242,390)
Proceeds from sale of property, plant and equipment	—	17,000
Cash paid for patents and trademarks	—	(1,057)
Net cash provided by (used in) investing activities	(373,259)	(226,447)
Cash flows from financing activities:		
Proceeds from (payments on) revolving line of credit, net	470,000	250,000
Payments on term notes payable	(144,823)	(120,551)
Proceeds from stock option exercises	51,150	3,880
Net cash provided by (used in) financing activities	376,327	133,329
Net increase (decrease) in cash and cash equivalents	(51,992)	181,984
Cash and cash equivalents, beginning of period	272,291	209,398
Cash and cash equivalents, end of period	220,299	391,382

Supplemental Cash Flow Information	Three Months Ended March 31,	
	2016	2015
Cash paid for interest	\$ 55,579	\$ 53,705

See accompanying notes to condensed consolidated financial statements.

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Arrhythmia Research Technology, Inc. and Subsidiaries

Period Ended March 31, 2016

Notes to the Condensed Consolidated Financial Statements (unaudited)

1. Basis of Presentation

The consolidated financial statements (the "financial statements") include the accounts of Arrhythmia Research Technology, Inc.® ("ART") and its subsidiary, Micron Products, Inc.® ("Micron" and together with ART, the "Company"). ART discontinued operations of its wholly-owned Pennsylvania subsidiary, RMDDxUSA Corp. ("RMDDxUSA") and that subsidiary's Prince Edward Island subsidiary, RMDDx Corporation ("RMDDx" and collectively with RMDDxUSA, "WirelessDx") in the third quarter of 2012. In May 2014, RMDDxUSA filed for bankruptcy and the Chapter 7 discharge order was issued on March 20, 2015 and the case was closed (see Note 10). The WirelessDx results are presented herein as discontinued operations. All intercompany balances and transactions have been eliminated in consolidation.

The unaudited interim condensed consolidated financial statements and related notes have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Accordingly, certain information and footnote disclosures normally included in complete financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been omitted pursuant to such rules and regulations. These financial statements and related notes should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015 filed with the SEC on March 10, 2016.

The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. The Company's balance sheet at December 31, 2015 has been derived from the audited financial statements at that date, but does not include all the information and footnotes required by GAAP for complete financial statements.

The information presented reflects, in the opinion of the management of the Company, all adjustments necessary for a fair presentation of the financial results for the interim periods presented. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Earnings per Share ("EPS")

Basic earnings (loss) per share is computed by dividing net income (loss) available to common shareholders by the weighted average number of common shares outstanding. The computation of diluted earnings (loss) per share is similar to the computation of basic earnings (loss) per share except that the denominator is increased to include the average number of additional common shares that would have been outstanding if the dilutive potential common shares had been issued. In addition, the numerator is adjusted for any changes in net income (loss) that would result from the assumed conversions of those potential shares.

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Arrhythmia Research Technology, Inc. and Subsidiaries

Period Ended March 31, 2016

Notes to the Condensed Consolidated Financial Statements (unaudited)

The following table presents the calculation of both basic and diluted EPS:

	Three Months Ended	
	March 31,	
	2016	2015
Income (loss) from continuing operations	\$ (384,148)	\$ (254,548)
Income from discontinued operations, net of tax	—	362,610
Net income (loss) available to common shareholders	\$ (384,148)	\$ 108,062
Basic EPS:		
Weighted average common shares outstanding	2,816,144	2,778,935
Earnings (loss) per share - basic		
Continuing operations	\$ (0.14)	\$ (0.09)
Discontinued operations	—	0.13
Consolidated basic EPS	\$ (0.14)	\$ 0.04
Diluted EPS:		
Weighted average common shares outstanding	2,816,144	2,778,935
Assumed conversion of net common shares issuable under stock option plans	—	62,164
Assumed conversion of net common shares issuable under warrants	—	36,500
Weighted average common and common equivalent shares outstanding, diluted	2,816,144	2,877,599
Earnings (loss) per share - diluted		
Continuing operations	\$ (0.14)	\$ (0.09)
Discontinued operations	—	0.13
Consolidated diluted EPS	\$ (0.14)	\$ 0.04

3. Inventories

Inventories consist of the following:

	March 31, 2016	December 31, 2015
Raw materials	\$ 744,320	\$ 775,427
Work-in-process	397,850	265,113
Finished goods	972,901	1,078,172
Total	\$ 2,115,071	\$ 2,118,712

Silver included in raw materials, work-in-process and finished goods inventory had an estimated cost of \$297,851 and \$313,738 as of March 31, 2016 and December 31, 2015, respectively.

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Arrhythmia Research Technology, Inc. and Subsidiaries

Period Ended March 31, 2016

Notes to the Condensed Consolidated Financial Statements (unaudited)

4. Property, Plant and Equipment, net

Property, plant and equipment, net consist of the following:

	Asset Lives (in years)	March 31, 2016	December 31, 2015
Machinery and equipment	3 to 15	\$ 15,285,910	\$ 15,168,377
Building and improvements	5 to 25	3,978,387	3,978,387
Vehicles	3 to 5	90,713	90,713
Furniture, fixtures, computers and software	3 to 5	1,439,381	1,437,692
Construction in progress		936,106	682,069
Total property, plant and equipment		21,730,497	21,357,238
Less: accumulated depreciation		(15,092,170)	(14,731,169)
Property, plant and equipment, net		\$ 6,638,327	\$ 6,626,069

For the three months ended March 31, 2016 and 2015, the Company recorded depreciation expense of \$361,001 and \$355,388, respectively.

On December 4, 2015, the Company entered into a Letter of Intent to sell its two unoccupied buildings, with a total of approximately 52,000 square feet, and land, at its Fitchburg, Massachusetts campus. On January 13, 2016, the Company entered into a Purchase and Sale Agreement to sell these two buildings which have been classified as Assets Held for Sale at March 31, 2016 and December 31, 2015. The carrying value of the properties (\$665,000) approximated the fair value less the cost to sell. The Company expects the sale of the properties to be completed by the end of 2016 and does not expect any material impact on the statement of operations.

5. Intangible Assets, net

The Company assesses the impairment of long-lived assets and intangible assets with finite lives annually or whenever events or changes in circumstances indicate that the carrying value may not be fully recoverable. For the three months ended March 31, 2016 and 2015, no impairment was required.

Intangible assets consist of the following:

	Estimated Useful Life (in years)	March 31, 2016			December 31, 2015		
		Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Patents and trademarks	10	\$ 26,626	8,420	\$ 18,206	\$ 26,626	\$ 7,981	\$ 18,645
Total intangible assets		\$ 26,626	\$ 8,420	\$ 18,206	\$ 26,626	\$ 7,981	\$ 18,645

For the three months ended March 31, 2016 and 2015, the Company recorded amortization expense of \$439 and \$994, respectively.

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Arrhythmia Research Technology, Inc. and Subsidiaries

Period Ended March 31, 2016

Notes to the Condensed Consolidated Financial Statements (unaudited)

6. Debt

The following table sets forth the items which comprise debt for the Company:

	March 31, 2016	December 31, 2015
Revolving line of credit	\$ 1,981,495	\$ 1,511,495
Equipment line of credit	\$ 336,850	\$ 336,850
Subordinated promissory notes	\$ 480,056	\$ 473,135
Term notes payable:		
Commercial term loan	\$ 638,199	\$ 714,175
Equipment term loans	824,993	879,898
Equipment notes	102,272	116,214
Total term notes payable	\$ 1,565,464	\$ 1,710,287
Total Debt	\$ 4,363,865	\$ 4,031,767

Bank Debt

The revolving line of credit (the "revolver"), commercial term loan, two equipment term loans and an equipment line of credit are all under the terms of a multi-year credit facility with a bank as detailed below. The debt is secured by substantially all assets of the Company with the exception of real property.

Revolver

The revolver provides for borrowings up to 80% of eligible accounts receivable and 50% of eligible raw materials inventory. The interest rate on the revolver is calculated at the bank's prime rate plus 0.25% (3.75% at March 31, 2016). The revolver has a maturity date of June 2017. Amounts available to borrow under the revolver are \$264,731 at March 31, 2016.

Commercial term loan

The commercial term loan has a five year term with a maturity date in March 2018. The interest rate on the loan is a fixed 4.25% per annum, and requires monthly payments of approximately \$28,000.

Equipment line of credit and equipment term loans

On March 29, 2013, the Company entered into an equipment line of credit that allowed for advances of up to \$1.0 million and included a one-year draw period during which payments were interest only. The draw period ended March 29, 2014 and the then outstanding balance on the equipment line of credit of \$740,999 was converted to an equipment term loan with a five-year term, maturing on of March 29, 2019. The equipment term loan requires monthly payments of approximately \$14,000, consisting of principal and interest at a fixed rate of 4.65%.

On June 26, 2014, the Company entered into an equipment line of credit that allowed for advances of up to \$1.0 million and included a one-year draw period during which payments were interest only. The draw period ended June 26, 2015 and the then outstanding balance on the equipment line of credit of \$415,785 was converted to an equipment term loan with a five-year term, maturing on of June 26, 2020. The equipment term loan requires monthly payments of approximately \$8,000, consisting of principal and interest at a fixed rate of 4.67%.

On June 19, 2015, the Company entered into a new equipment line of credit for \$1.0 million under the Company's multi-year credit facility. At March 31, 2016, the Company has drawn \$336,850 on the new equipment line of credit. The term of this equipment line of credit is six years, maturing on June 19, 2021, inclusive of a maximum one-year draw period. Repayment shall consist of monthly interest only payments, equal to the bank's prime rate plus 0.25% as to each advance commencing on the date of the loan through the earlier of: (i) one year from the date of the loan or (ii) the date upon which the equipment line of credit is fully advanced (the "Conversion Date"). On the Conversion Date, principal and interest payments will be due and payable monthly in an amount sufficient to pay the loan in full based upon an amortization schedule commensurate with the remaining term of the loan.

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Arrhythmia Research Technology, Inc. and Subsidiaries

Period Ended March 31, 2016

Notes to the Condensed Consolidated Financial Statements (unaudited)

Other Debt

Equipment notes

In January 2013, the Company entered into two equipment notes totaling \$272,500 with a financing company to acquire production equipment. The notes bear interest at the fixed rate of 4.66% and require monthly payments of principal and interest of approximately \$5,000 over a five year term maturing in January 2018.

Subordinated promissory notes

In December 2013, the Company completed a private offering in which the Company sold an aggregate of \$500,000 in subordinated promissory notes. The notes are unsecured and require quarterly interest-only payments at a rate of 10% per annum for the first two years, increasing to 12% per annum in December 2015. The notes mature in December 2016 at which point the outstanding balance is due in full. The subordinated promissory notes may be prepaid by the Company at any time following the first anniversary thereof without penalty. The notes are subordinated to all indebtedness of the Company pursuant to the bank credit facility.

In connection with the subordinated promissory notes, the Company issued warrants to purchase the Company's common stock at \$3.51 per share. The warrants expire in December 2016. The proceeds were allocated between the notes and warrants on a relative fair value basis resulting in \$416,950 allocated to the notes and \$83,050 allocated to the warrants as part of Additional-Paid-in-Capital. The total discount on the notes is being recognized as non-cash interest expense over the term of the notes. The Company recorded \$6,921 for the three months ended March 31, 2016 and 2015 of non-cash interest expense related to the amortization of the discount. The unamortized discount which is net against the outstanding balance of the subordinated promissory notes is \$19,944 at March 31, 2016 and \$26,865 at December 31, 2015.

7. Income Taxes

No provision for income taxes has been recorded in the three months ended March 31, 2016 or 2015, respectively. The Company has a full valuation allowance against its deferred tax assets as of March 31, 2016 and December 31, 2015.

The Company has federal and state net operating loss carryforwards totaling \$8,196,000 and \$8,231,000, respectively, which begin to expire in 2030. The Company also had federal and state tax credit carryovers of \$361,000 and \$380,000 respectively. The federal and state tax credits begin to expire in 2029 and 2016, respectively.

8. Commitments and Contingencies

Legal matters

In the ordinary course of its business, the Company is involved in various legal proceedings involving a variety of matters. The Company does not believe there are any pending legal proceedings that will have a material impact on the Company's financial position or results of operations.

Off-balance sheet arrangements

The Company has two operating leases for office equipment. Lease expense under all operating leases was approximately \$1,822 for the three months ended March 31, 2016 and 2015.

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Arrhythmia Research Technology, Inc. and Subsidiaries

Period Ended March 31, 2016

Notes to the Condensed Consolidated Financial Statements (unaudited)

9. Stock Options and Share-Based Incentive Plan

Options

The following table sets forth the stock option transactions for the three months ended March 31, 2016:

	Number of options	Weighted Average Exercise Price	Weighted average remaining contractual term (in years)	Aggregate Intrinsic Value
Outstanding at December 31, 2015	184,500	\$ 6.21	6.80	\$ 235,293
Granted	—	—		
Exercised	(15,000)	3.41		
Forfeited	—	—		
Expired	—	—		
Outstanding at March 31, 2016	169,500	6.46	7.15	\$ 186,843
Exercisable at March 31, 2016	73,500	\$ 7.33	5.74	\$ 58,115
Exercisable at December 31, 2015	83,500	\$ 6.60	4.73	\$ 106,565

For the three months ended March 31, 2016 and 2015, share-based compensation expense related to stock options amounted to \$15,133 and \$7,186, respectively, and is included in general and administrative expenses.

For the three months ended March 31, 2016, there were no new options granted and no options expired or were forfeited. There were 15,000 options exercised generating proceeds of \$51,150.

For the three months ended March 31, 2015, 25,000 options were granted, 7,500 options were forfeited and no options expired. Additionally, 1,100 options were exercised generating proceeds of \$3,880.

Warrants

For the three months ended March 31, 2016 and 2015, there were no warrants exercised. As of March 31, 2016, 70,000 warrants remain unexercised.

10. Discontinued Operations

The Company's subsidiary, RMDDxUSA Corp. and its Prince Edward Island subsidiary RMDDx Corporation (collectively "WirelessDx"), discontinued operations 2012, filed for relief under Chapter 7 (Liquidation) of the United States Bankruptcy Code in 2014 and on March 20, 2015, the Chapter 7 Order was formally discharged and the case was closed.

For the three months ended March 31, 2015, net income of \$362,610 was recorded from discontinued operations as a result of the write-off of the remaining liabilities of \$320,056 and the reversal of accumulated other comprehensive income of \$42,553 from cumulative translation adjustments from RMDDx Corporation.

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

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements that involve a number of risks and uncertainties. There are a number of factors that could cause the Company's actual results to differ materially from those forecasted or projected in such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements which speak only as of the date hereof. The Company is under no obligation and does not intend to update, revise or otherwise publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of any unanticipated events. More information about factors that potentially could affect the Company's financial results is included in the Company's filings with the SEC, including its Annual Report on Form 10-K for the year ended December 31, 2015.

Critical Accounting Policies

The critical accounting policies utilized by the Company in preparation of the accompanying financial statements are set forth in Part II, Item 7 of the Company's Annual Report on Form 10-K for the year ended December 31, 2015, under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations". There have been no material changes to these policies since December 31, 2015.

Overview

Arrhythmia Research Technology®, Inc., a Delaware corporation ("ART"), through its wholly-owned Massachusetts subsidiary, Micron Products®, Inc. ("Micron" and together with ART, the "Company"), is a diversified contract manufacturing organization ("CMO") that produces highly-engineered, innovative medical device components requiring precision machining and injection molding. The Company also manufactures components, devices and equipment for military, law enforcement, automotive and consumer product applications. The Company is engaged in the production and sale of silver/silver chloride coated and conductive resin sensors used as consumable component parts in the manufacture of integrated disposable electrophysiological sensors. These disposable medical devices are used worldwide in the monitoring of electrical signals in various medical applications. The Company's machining operations produce quick-turn, high volume and patient-specific finished orthopedic implant components. The Company has custom thermoplastic injection molding capabilities as well, and provides a full array of design, engineering, production services and management. The Company competes globally, with more than forty percent of its revenue derived from exports.

The Company's subsidiary, RMDDxUSA Corp. and its Prince Edward Island subsidiary RMDDx Corporation (collectively "WirelessDx"), discontinued operations in 2012, filed for relief under Chapter 7 (Liquidation) of the United States Bankruptcy Code in May 2014 and in March 2015, the Chapter 7 Order was formally discharged and the case was closed.

Results of Operations

The following table sets forth, for the periods indicated, the percentages of the net sales represented by certain items reflected in the Company's statements of operations.

	Three Months Ended March 31,			
	2016	%	2015	%
Net sales	100.0		100.0	
Cost of sales	86.3		86.4	
Gross profit	13.7		13.6	
Selling and marketing	5.9		4.4	
General and administrative	13.9		11.1	
Research and development	0.5		1.6	
Other expense	1.2		0.9	
Income (loss) from continuing operations before income taxes	(7.8)		(4.4)	
Income tax provision	—		—	
Income (loss) from continuing operations	(7.8)		(4.4)	
Income from discontinued operations	—		6.2	
Net (loss) income	(7.8)	%	1.8	%

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Net Sales

The Company's consolidated net sales for the three months ended March 31, 2016 was \$4,983,281, a decrease of \$875,061, or 14.9%, when compared to the consolidated net sales of \$5,858,342 for the three months ended March 31, 2015. The decrease in net sales for the three months ended March 31, 2016 was due to a decrease in net sensor sales and net sales of orthopedic implant components, partially offset by increased sales of custom thermoplastic injected molding.

Net sales of sensors decreased 18.2% for the three months ended March 31, 2016 when compared to the same period last year. While sensor volume increased 12.6% over the same quarter last year, net sales decreased due to customer mix, product mix and the industry's continuing trend toward smaller parts. Silver surcharge billed decreased 24.1% due in part to the industry trend toward smaller parts and less silver as well as a 12.1% decrease in the weighted average price of silver for the three months ended March 31, 2016, as compared to the same period in 2015.

Additionally, net sales of orthopedic implant components for the three months ended March 31, 2016 decreased 25.1% due to lower than expected volume from a large customer as compared to the same period in 2015, as well as product mix.

The decrease in net sales was partially offset by a 3.0% increase in net sales of custom thermoplastic injection molding for the three months ended March 31, 2016 as compared to the same period in 2015 due to increased order volume of medical and automotive components.

Gross Profit

The Company's gross profit for the three months ended March 31, 2016 was \$685,119, a decrease of \$111,277, or 14.0%, when compared to gross profit of \$796,396 for the same period in 2015. Gross profit as a percentage of sales for the three months ended March 31, 2016 increased to 13.7%, or 0.1 points from 13.6% for the three months ended March 31, 2015.

The decrease in gross profit was due to a 35.2% decrease in gross profit from sensors which was due largely to price reductions as well as customer and product mix. Sensors gross profit as a percentage of sales decreased 4.9 points due primarily to the reduction in net sales and selling price. Additionally, gross profit from machined orthopedic implants decreased 19.6% largely due to lower volume combined with increased labor costs related to process validation efforts. However, machined orthopedic implants gross profit as a percentage of sales increased slightly, 1.2 points, due partly to product mix and improved efficiencies. Gross profit also decreased in part due to the timing of deferrals and the recognition of deferred revenue.

The decrease in gross profit was partially offset by a 7.7% increase in gross profit of custom thermoplastic injection molding for the three months ended March 31, 2016 when compared to the same period in 2015 due to increased demand of medical and automotive components. Custom thermoplastic injection molding gross profit as a percentage of sales increased 1.4 points due primarily to product mix. Also impacting gross profit was a decrease in expenses in the Quality and other manufacturing overhead departments as adjustments were made in part as a result of lower sales in the quarter. Quality and other manufacturing overhead expressed as a percentage of sales decreased to 8.9% for the three months ended March 31, 2016 as compared to 10.2% in the same period last year.

Selling and Marketing

The Company's consolidated selling and marketing expenses amounted to \$293,346 (5.9% of net sales) for the three months ended March 31, 2016 as compared to \$257,972 (4.4% of net sales) for the three months ended March 31, 2015, an increase of \$35,374, or 13.7%. For the three months ended March 31, 2016, the increase was primarily due to increased wages, taxes and benefits of \$85,896 as a result of two additional salespersons hired in the fourth quarter of 2015. In addition, travel increased \$3,480 due to trade shows and customer relations. The increase was offset by a decrease in commissions of \$29,405 as a result of lower net sales as compared to the same period in the prior year and a decrease in marketing expenses of \$32,424.

General and Administrative

The Company's consolidated general and administrative expenses increased to \$690,635 (13.9% of net sales) for the three months ended March 31, 2016 as compared to \$648,227 (11.1% of net sales) for the three months ended March 31, 2015 an increase of \$42,408, or 6.5%. The increase in general and administrative expenses is due primarily to \$51,600 of recruiting agency fees related to the replacement of three positions. Legal fees increased \$25,869 as compared to the prior year quarter. In addition, directors' fees increased \$20,000 as a result of adding two new Directors in 2015 and one in February 2016.

These increases were partially offset by decreased wages, taxes and benefits of \$25,780 due to the timing of replacement hires for three positions. In addition, consulting fees related to environmental, health and safety decreased \$21,500 due to bringing this function in house. Additionally accounting related expenses decreased \$14,211 due in part to savings realized from new SEC filing software. There were multiple smaller variances in computer supplies, bank fees, software expenses, stock based compensation and insurance on accounts receivable for the three months ended March 31, 2016 versus the same period in the prior year.

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Research and Development

The Company's consolidated research and development expenses decreased to \$25,843 (0.5% of net sales) for the three months ended March 31, 2016 as compared to \$92,561 (1.6% of net sales) for the three months ended March 31, 2015, a decrease of \$66,718, or 72.1%. The decrease is due in part to decreased compensation of \$24,615 due to reorganization as well as a \$42,103 decrease in internal research and development costs for the development of new products and capabilities related to medical device components.

Other Expense, net

Other expense, net increased to \$59,443 for the three months ended March 31, 2016, as compared to \$52,184, for three months ended March 31, 2015, an increase of \$7,259. The increase in other expense was due to a gain on the sales of fixed assets of \$11,029 in 2015 versus no sales in 2016. In addition, interest expense decreased \$5,473 in 2016 as a result of continued pay down of term debt.

Income Tax Provision

The tax provisions for the three months ended March 31, 2016 and 2015 attributable to the U.S. federal and state income taxes on our continuing operations are zero. The Company's combined federal and state effective income tax rate from continuing operations for both the three months ended March 31, 2016 and 2015 of 0% is due to the deferred tax assets being fully reserved for with a valuation allowance.

Income from Discontinued Operations

The Company's subsidiary, RMDDxUSA Corp. and its Prince Edward Island subsidiary RMDDx Corporation (collectively "WirelessDx"), discontinued operations 2012, filed for relief under Chapter 7 (Liquidation) of the United States Bankruptcy Code in 2014 and on March 20, 2015, the Chapter 7 Order was formally discharged and the case was closed.

For the three months ended March 31, 2015 net income of \$362,610 was recorded from discontinued operations as a result of the write-off of the remaining liabilities of \$320,056 and the reversal of accumulated other comprehensive

income of \$42,553 from cumulative translation adjustments from RMDDx Corporation.

Earnings (Loss) Per Share

Consolidated basic and diluted loss per share for the three months ended March 31, 2016 was \$0.14 per share as compared to basic and diluted earnings of \$0.04 per share for the same period in 2015, a decrease of \$0.18 per share. The decrease in earnings per share for the three months ended March 31, 2016, is due largely to the decreased gross profit in sensors.

The basic and diluted earnings per share for the three months ended March 31, 2015 were impacted by income from discontinued operations of RMDDxUSA which received relief under Chapter 7 of the United States Bankruptcy Code and was formally discharged in March 2015.

Off-Balance Sheet Arrangements

The Company has two operating leases for office equipment. Lease expense under all operating leases was approximately \$1,822 for the three ended March 31, 2016 and 2015, respectively.

Liquidity and Capital Resources

Working capital was \$2,520,332 as of March 31, 2016, as compared to \$2,509,588 at December 31, 2015, an increase of \$10,744. The increase is due primarily to an increase in accounts receivable, which is mostly offset by increases in accounts payable, accrued expenses and other current liabilities and customer deposits.

Cash and cash equivalents were \$220,299 and \$272,291 at March 31, 2016 and December 31, 2015, respectively, a decrease of \$51,992. Substantially all of these funds are maintained in bank deposit accounts.

Trade accounts receivable were \$3,339,549 and \$2,798,353 at March 31, 2016 and December 31, 2015, respectively, an increase of \$541,196 due in part to the timing of an increase in net sales for the month of March 2016 as compared to December 2015.

Inventories were \$2,115,071 at March 31, 2016, as compared to \$2,118,712 at December 31, 2015, a decrease of \$3,641.

Accounts payable increased \$118,143 due largely to the timing of disbursements.

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Accrued expenses and other current liabilities increased \$98,993 as compared to December 31, 2015 due largely to an increase of \$79,461 for accruals for goods received not yet invoiced. Additionally, the Company accrued \$20,950 in the first quarter 2016 related to customer rebates and recorded increased legal accruals of \$17,536. These increases were partially offset by a \$25,685 reduction in accrued commissions.

Customer deposits increased \$266,255 due to an increase in tooling orders.

Capital equipment expenditures were \$373,259 for the three months ended March 31, 2016, due to investments in machinery and equipment primarily for the contract manufacturing of orthopedic implant components as well as injection molding equipment as compared to \$242,390 in the same period in 2015.

At March 31, 2016, the Company's total debt was \$4,363,865 as compared to \$4,031,767 at December 31, 2015, an increase of \$332,098 or 8.2% due primarily to a net increase of \$470,000 on the revolver. The total outstanding balance of the Company's term debt decreased \$144,823 to \$1,565,464 at March 31, 2016 as compared to \$1,710,287 at December 31, 2015. The Company also had a balance of \$336,850 on an equipment line of credit and \$480,056 of subordinated promissory notes as discussed in more detail below.

The Company has a multi-year credit facility with a Massachusetts bank. Under this credit facility the Company has a revolving line of credit (the "revolver"), commercial term loan, two equipment term loans and an equipment line of credit as detailed below. The bank facility contains both financial and non-financial covenants, all of which the Company is in compliance with at March 31, 2016.

The revolver provides for borrowings up to 80% of eligible accounts receivable and 50% of eligible raw materials inventory. The interest rate on the revolver is calculated at the bank's prime rate plus 0.25% (3.75% at March 31, 2016). The balance outstanding on the revolver was \$1,981,495 as of March 31, 2016. The revolver has a maturity date of June 30, 2017. Amounts available to borrow under the revolver are \$264,731 at March 31, 2016.

The commercial term loan has a five year term with a maturity date in March 2018. The interest rate on the loan is a fixed 4.25% per annum, and requires monthly payments of approximately \$28,000. At March 31, 2016, the balance of the commercial term loan was \$638,199.

The original equipment line of credit allowed for advances of up to \$1.0 million and included a one-year draw period during which payments were interest only. The draw period ended March 29, 2014 and the then outstanding balance on the equipment line of credit of \$740,999 was converted to a five-year term loan with monthly payments of approximately \$14,000 consisting of principal and interest at a fixed rate of 4.65%. The balance of this equipment term loan was \$465,368 as of March 31, 2016.

On June 26, 2014, the Company entered into an equipment line of credit that allowed for advances of up to \$1.0 million and included a one-year draw period during which payments were interest only. The draw period ended June 26, 2015 and the then outstanding balance on the equipment line of credit of \$415,785 was converted to an equipment term loan with a five-year term, maturing on of June 26, 2020. The equipment term loan requires monthly payments of approximately \$8,000, consisting of principal and interest at a fixed rate of 4.67% beginning in July 2015. The balance of this equipment term loan was \$359,625 as of March 31, 2016.

On June 19, 2015, the Company entered into a new equipment line of credit for \$1.0 million under the Company's multi-year credit facility. At March 31, 2016, \$336,850 has been drawn on the new equipment line of credit. The term of this equipment line of credit is six years, maturing on June 19, 2021, inclusive of a maximum one-year draw period. Repayment shall consist of monthly interest only payments, equal to the bank's prime rate plus 0.25% as to each advance commencing on the date of the loan through the earlier of: (i) one year from the date of the loan or (ii) the date upon which the equipment line of credit is fully advanced (the "Conversion Date"). On the Conversion Date, principal and interest payments will be due and payable monthly in an amount sufficient to pay the loan in full based upon an amortization schedule commensurate with the remaining term of the loan.

The borrowing agreement, under the bank facility as described above, contains both financial and non-financial covenants. The financial covenants include maintaining certain debt coverage and leverage ratios. The non-financial covenants relate to various matters including notice prior to executing further borrowings and security interests, mergers or consolidations, acquisitions, guarantees, sales of assets other than in the normal course of business, leasing, changes in ownership and payment of dividends. The Company is in compliance with all covenants at March 31, 2016.

In January 2013, the Company entered into two equipment notes totaling \$272,500 with a financing company to acquire production equipment. The notes bear interest at the fixed rate of 4.66% and require monthly payments of principal and interest of approximately \$5,000 over a five year term maturing in January 2018. The outstanding balance of these equipment notes at June 30, 2015 was \$102,272.

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In December 2013, the Company completed a private offering in which the Company sold an aggregate of \$500,000 in subordinated promissory notes. The notes are unsecured and require quarterly interest-only payments at a rate of 10% per annum. On the second anniversary following issuance, the interest rate increases to 12% per annum. The notes mature in December 2016 at which point the outstanding balance is due in full. The subordinated promissory notes may be prepaid by the Company at any time following the first anniversary thereof without penalty. The notes are subordinated to all indebtedness of the Company pursuant to the bank credit facility.

In connection with the subordinated promissory notes, the Company issued warrants to purchase the Company's common stock at \$3.51 per share. The warrants expire in December 2016. The proceeds were allocated between the notes and warrants on a relative fair value basis resulting in \$416,950 allocated to the notes and \$83,050 allocated to the warrants as part of Additional-Paid-in-Capital. The total discount on the notes is being recognized as non-cash interest expense over the term of the notes. For the three months ended March 31, 2016 and 2015, the Company recorded \$6,921 of non-cash interest expense related to the amortization of the discount. The unamortized discount which is net against the outstanding balance of the subordinated promissory notes is \$19,944 at March 31, 2016 and \$26,865 at December 31, 2015.

No dividends were declared or paid in the three months ended March 31, 2016 and 2015.

The Company believes that cash flows from its operations, together with its existing working capital, the revolving line of credit and other resources, will be sufficient to fund operations at current levels and repay debt obligations over the next twelve months. The Company continues to develop opportunities within new and existing channels where the Company can maximize its return on investments in capital equipment, research and development, marketing and human resources.

Summary of Changes in Cash Position

As of March 31, 2016, the Company had cash on hand of \$220,299. For the three months ended March 31, 2016, net cash used in operating activities was \$55,060. Net cash used in investing activities for the three months ended March 31, 2016 was \$373,259. Net cash provided by financing activities for the three months ended March 31, 2016 was \$376,327. All of the above were from continuing operations. The net cash flows for the three months ended March 31, 2016 are discussed in further detail below.

Operating Cash Flows

For the three months ended March 31, 2016, net cash used in operating activities was \$55,060 due largely to the increase of \$541,196 in accounts receivable due to increased sales in March 2016 when compared to sales in December 2015, and the timing of accounts receivable collections.

This increase was offset by net cash provided by accrued expenses and other current liabilities which increased \$350,954 due in part to an increase of \$266,255 in customer deposits and an increase of \$79,461 for inventory received but not invoiced at March 31, 2016 as compared to December 31, 2015. Additionally, as of March 31, 2016, there was an increase in accounts payable of \$118,143. Cash provided by operating activities was also impacted by non-cash add-backs for depreciation and amortization of \$361,440, share-based compensation of \$15,133 and non-cash interest expense of \$6,921.

Investing Cash Flows

For the three months ended March 31, 2016, net cash used in investing activities was \$373,259. The net cash used was for capital expenditures of \$373,259, largely for machinery and equipment, primarily for the contract manufacturing of orthopedic implant components as well as for molding equipment.

Financing Cash Flows

For the three months ended March 31, 2016, net cash provided by financing activities was \$376,327. Cash was provided by net proceeds of \$470,000 from the Company's revolver and offset by payments on term notes payable of \$144,823. Additionally, there were proceeds of \$51,150 from the exercise of stock options.

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Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not Applicable.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our principal executive officer and principal financial officer (“the Certifying Officers”) have evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)). Based on such evaluation, our Certifying Officers have concluded the Company's disclosure controls and procedures, as of the end of the period covered by this report, were effective.

The effectiveness of a system of disclosure controls and procedures is subject to various inherent limitations, including cost limitations, judgments used in decision making, assumptions about the likelihood of future events, the soundness of internal controls, and fraud. Due to such inherent limitations, there can be no assurance that any system of disclosure controls and procedures will be successful in preventing all errors or fraud, or in making all material information known in a timely manner to the appropriate levels of management.

Changes in Internal Control over Financial Reporting

During the three months ended March 31, 2016 there have been no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II - OTHER INFORMATION

Item 6. Exhibit Index

Exhibit Number	Description of Exhibit	Page
3.0	Certificate of Incorporation (incorporated by reference to the Company's Registration Statement on Form S-18 as filed with the Commission in April 1988, Registration Statement No. 33-20945-FW).	
3.1	Amended and Restated By-laws (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K as filed with the Commission on July 1, 2011).	
3.2	Certificate of Amendment of Certificate of Incorporation (incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q as filed with the Commission on August 13, 2015).	
4.0	Form of Certificate evidencing shares of the Company's Common Stock (incorporated by reference to the Company's Registration Statement on Form S-18 as filed with the Commission in April 1988, Registration Statement No. 33-20945-FW).	
4.6*	2001 Stock Option Plan (incorporated by reference to Exhibit 99.6 to the Company's Annual Report on Form 10-KSB	

- for fiscal year ended December 31, 2001 as filed with the Commission on March 29, 2002).
- 4.10* 2010 Equity Incentive Plan (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8 as filed with the Commission on May 6, 2010, Registration Statement No. 333-166600).
- 4.11 Form of Subordinated Note (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K as filed with the Commission on December 23, 2013).
- 4.12 Form of Subordination Agreement (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K as filed with the Commission on December 23, 2013)
- 4.13 Form of Warrant to Purchase Common Stock (incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K as filed with the Commission on December 23, 2013).
- 10.50 First Amendment and Loan Modification dated as of March 11, 2013 between the Company and RBS Citizens, National Association and RBS Asset Finance, Inc. (incorporated by reference to Exhibit 10.50 to the Company's Quarterly Report on Form 10-Q as filed with the Commission on July 1, 2013).
- 10.51 Loan and Security Agreement between UniBank for Savings and Arrhythmia Research Technology, Inc. and Micron Products, Inc. dated March 29, 2013 (incorporated by reference to Exhibit 10.51 to the Company's Quarterly Report on Form 10-Q as filed with the

- 10.56* Commission on July 1, 2013).
Employment Agreement
between the Company and
Salvatore Emma, Jr. dated as of
January 9, 2014 (incorporated by
reference to Exhibit 10.56 to the
Company's Quarterly Report on
Form 10-Q as filed with the
Commission on May 9, 2014).
- 10.57* Employment Agreement
between the Company and
Derek T. Welch dated as of
January 9, 2014 (incorporated by
reference to Exhibit 10.57 to the
Company's Quarterly Report on
Form 10-Q as filed with the
Commission on May 9, 2014).
- 10.58 Third Amendment to Loan and
Security Agreement and
Commercial Equipment Line of
Credit Promissory Note dated
June 26, 2014 (incorporated by
reference to Exhibit 10.58 to the
Company's Quarterly Report on
Form 10-Q as filed with the
Commission on August 7,
2014).
- 10.59* Employment Agreement
between the Company and
Salvatore Emma, Jr. dated as of
January 20, 2015 (incorporated
by reference to Exhibit 10.59 to
the Company's Annual Report on
Form 10-K for the fiscal year
ended December 31, 2014 as
filed with the Commission on
March 20, 2015).
- 10.60* Employment Agreement
between the Company and
Derek T. Welch dated as of
January 20, 2015 (incorporated
by reference to Exhibit 10.60 to
the Company's Annual Report on
Form 10-K for the fiscal year
ended December 31, 2014 as
filed with the Commission on
March 20, 2015).
- 10.61 Fourth Amendment to Loan and
Security Agreement and
Commercial Equipment Line of
Credit Promissory Note dated

	June 19, 2015 (incorporated by reference to Exhibit 10.61 to the Company's Quarterly Report on Form 10-Q as filed with the Commission on August 13, 2015).	
21	Subsidiaries (incorporated by reference to Exhibit 21.0 to the Company's Annual Report on Form 10-K for fiscal year ended December 31, 2010 as filed with the Commission on March 23, 2011).	
31.1**	Certification of the CEO pursuant to Rule 13a-14(a) or Rule 15(d)-14(a)	X-1
31.2**	Certification of the CFO pursuant to Rule 13a-14(a) or Rule 15(d)-14(a)	X-2
32.1**	Certification of the CEO pursuant to 18 U.S.C. §1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X-3

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32.2**	Certification of the CFO pursuant to 18 U.S.C. §1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X-4
101.INS†	XBRL Instance Document	
101.SCH†	XBRL Taxonomy Extension Schema Document	
101.CAL†	XBRL Taxonomy Extension Calculation Linkbase Document	
101.PRE†	XBRL Taxonomy Extension Presentation Linkbase Document	
101.DEF†	XBRL Taxonomy Extension Definition Linkbase Document	

*Indicates a management contract or compensatory plan required to be filed as an exhibit.
**Filed herewith
† XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

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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.

ARRHYTHMIA RESEARCH TECHNOLOGY, INC.

May 12, 2016 By: /s/ Salvatore Emma, Jr.
Salvatore Emma, Jr.
President and Chief Executive Officer
(principal executive officer)

By: /s/ Derek T. Welch
Derek T. Welch
Chief Financial Officer
(principal financial and accounting officer)

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en notice of such proposal, along with the information required by Section 2.5, must be received by our Secretary at our principal executive offices no earlier than the close of business on February 22, 2019 and no later than March 24, 2019. If the 2019 Annual Meeting date has been significantly advanced or delayed from the first anniversary of the date of the Annual Meeting, then notice of such proposal must be given not later than the 90th day before the meeting or, if later, the 10th day after the first public disclosure of the date of the Annual Meeting. A proponent must also update the information provided in or with the notice at the times specified in our bylaws.

Only persons who are shareholders both as of the giving of notice and the date of the shareholders meeting and who are eligible to vote at the shareholders meeting are eligible to propose business to be brought before a shareholders meeting. The proposing shareholder (or the shareholder's qualified representative) must attend the shareholders meeting in person and present the proposed business in order for the proposed business to be considered.

Householding

We have adopted a procedure approved by the SEC called householding. Under this procedure, certain shareholders of record who have the same address and last name will receive only one copy of our notice of annual meeting of shareholders, proxy statement, and accompanying documents, unless one or more of these shareholders notifies us that they wish to continue receiving individual copies. This procedure is intended to reduce our printing costs and postage fees.

Shareholders who participate in householding will continue to receive separate proxy cards. Also, householding will not in any way affect other mailings.

If you are eligible for householding, but you and other shareholders of record with whom you share an address currently receive multiple copies of the notice of annual meeting of shareholders, proxy statement and accompanying documents, or if you hold common shares in more than one account, and in either case you wish to receive only a single copy of each of these documents for your household, please contact the Company's Secretary at 30142 Wixom Road, Wixom, Michigan 48393, or by telephone at (248) 960-9009.

If you participate in householding and wish to receive a separate copy of the notice of annual meeting of shareholders, proxy statement and the accompanying documents, or if you do not wish to participate in householding and prefer to receive separate copies of these documents in the future, please contact the Company's Secretary as indicated above.

Beneficial owners can request information about householding from their banks, brokers or other holders of record.

Other Business

Neither we nor the members of our Board intend to bring before the Annual Meeting any matters other than those set forth in the notice of Annual Meeting, and we and they have no present knowledge that any other matters will be presented for action at the Annual Meeting by others. If any other matters properly come before such Annual Meeting in accordance with our Bylaws, however, it is the intention of the persons named in the enclosed form of proxy to vote in accordance with their best judgment.

By Order of the Board of Directors,

Thomas E. Klema
Secretary

Wixom, Michigan

[•], 2018

Appendix A

**PROPOSED FORM OF
RESTATED ARTICLES OF INCORPORATION**

NOTE Proposed deletions are shown as stricken through text and proposed additions are shown as underscored and italics text.

RESTATED ARTICLES OF INCORPORATION
For use by Domestic Profit Corporations

Pursuant to the provisions of Act 284, Public Acts of 1972 (~~profit corporations~~), the undersigned ~~corporation executes~~ *execute* the following Articles:

1. The present name of the corporation is: Rockwell Medical, Inc.
2. The identification number assigned by the Bureau is: ~~427-745~~ 800437130
3. All former names of the corporation are: Rockwell Medical Technologies, Inc., Acquisition Partners, Inc.
4. The date of filing the original Articles of Incorporation was: October 25, 1996

The following Restated Articles of Incorporation supersede the Articles of Incorporation as amended and shall be the Articles of Incorporation for the corporation:

ARTICLE I

The name of the corporation is: Rockwell Medical, Inc.

ARTICLE II

The purpose or purposes for which the corporation is formed is to engage in any activity within the purposes for which corporations may be formed under the Business Corporation Act of Michigan.

ARTICLE III

The total authorized shares:

1. Common Shares: 120,000,000

Preferred Shares: 2,000,000

2. A statement of any of the relative rights, preferences and limitations of the shares of each class is as follows:

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(a) All holders of common shares shall have equal rights, preferences and limitations, including equal voting rights, and each holder of common shares is entitled to one vote per share.

(b) The rights, preferences and limitations of the preferred shares shall be as determined by the Board of Directors pursuant to Article ~~VIII~~ VII.

ARTICLE IV

1. The address of the registered office is:

30142 Wixom Road

Wixom, Michigan 48393

2. The mailing address of the registered office, if different than above:

3. The name of the resident agent at the registered office is: Robert L. Chiolini.

ARTICLE V

~~The name and address of the incorporator is as follows:~~

~~Name: Jeanette M. Russow~~

~~Residence or Business Address: 2290 First National Building~~

~~Detroit, Michigan 48226~~

Any action required or permitted by the Act to be taken at an annual or special meeting of shareholders may be taken without a meeting, without prior notice, and without a vote, if consents in writing setting forth the action so taken, are signed by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take the action at a meeting at which all shares entitled to vote on the action were present and voted. The written consents shall bear the date of signature of each shareholder who signs the consent. No written consents shall be effective to take the corporate action referred to unless, within 60 days after the record date for determining shareholders entitled to express consent or to dissent from a proposal without a meeting, written consents dated not more than 10 days before the record date and signed by a sufficient number of shareholders to take the action are delivered to the corporation. Delivery shall be to the corporation's registered office, its principal place of business, or an officer or agent of the corporation having custody of the minutes of the proceedings of its shareholders. Delivery made to a corporation's registered office shall be by hand or by certified or registered mail, return receipt requested.

Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to shareholders who would have been entitled to notice of the shareholder meeting if the action had been taken at a meeting and who have not consented in writing.

~~ARTICLE VII~~ ARTICLE VI

To the full extent permitted by the Michigan Business Corporation Act or any other applicable laws presently or hereafter in effect, no director of the corporation shall be personally liable to the corporation or its shareholders for or with respect to any acts or omissions in the performance of his or her fiduciary duties as a director of the corporation. Any repeal or modification of this Article ~~VII~~ VI shall not adversely affect any right or protection of a director of the corporation existing immediately prior to, or for or with respect to, any acts or omissions occurring before such repeal or modification.

~~ARTICLE VIII~~ ARTICLE VII

The Board of Directors may cause the Corporation to issue Preferred shares in one or more series, each series to bear a distinctive designation and to have such relative rights and preferences as shall be prescribed by resolution of the Board. Such resolutions, when filed, shall constitute amendments to these Articles of Incorporation.

~~ARTICLE IX~~ ARTICLE VIII

The business and affairs of the corporation shall be managed by or under the direction of a Board of Directors consisting of not less than 3 or more than 15 directors, the exact number of directors to be determined from time to time solely by a resolution adopted by an affirmative vote of a majority of the entire Board of Directors. ~~The~~ Prior to the Corporation's 2018 annual meeting of shareholders, the directors ~~shall be~~ were divided into three classes, designated Class I, Class II and Class III. Each class ~~shall consist, as nearly as may be possible, of one-third of the total number of directors constituting the entire Board of Directors. The term of office of one class shall expire each year. At each~~ had a three-year staggered term. In order to declassify the previous staggered three-year terms of the Corporation's directors, beginning at the 2018 annual meeting of stockholders shareholders of the Corporation, the successors to the class of directors whose ~~term shall then expire~~ terms expire at the 2018 annual meeting of shareholders shall be elected to hold office for a term expiring ~~on~~ at the ~~third succeeding~~ 2019 annual meeting. ~~If the number of directors is changed, any increase or decrease shall be apportioned among the classes of directors so as to maintain the number of directors in each class as nearly equal as possible, but in no case will a decrease in the number of directors shorten the term of any incumbent director. When the number of directors is increased by the Board of Directors and any newly created directorships are filled by the Board, the additional directors shall be classified as provided by the Board. A director shall hold office until the meeting for the year in which his or her term expires and until his or her successor shall be~~ of shareholders and until their successors shall be duly elected and qualified, subject to prior death, resignation, retirement, disqualification or removal; at the 2019 annual meeting of shareholders, the successors to the class (and any other) of directors whose terms expire at the 2019 annual meeting of shareholders shall be elected for a term expiring at the 2020 annual meeting of shareholders and until their successors shall be duly elected and qualified, subject to prior death, resignation, retirement, disqualification or removal; and at the 2020 annual meeting of shareholders, the successors to the class (and any other) of directors

whose terms expire at the 2020 annual meeting shall be elected for a term expiring at the 2021 annual meeting of shareholders and until their successors shall be duly elected and ~~shall qualify~~ qualified, subject, ~~however~~, to prior death, resignation, retirement,

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~~disqualification or removal from office. Beginning with the Corporation's 2018 annual meeting of shareholders, all directors shall be elected for a term expiring at the next annual meeting of shareholders and until their successors shall be duly elected and qualified, subject to prior death, resignation, retirement, disqualification or removal.~~

Newly created directorships resulting from an increase in ~~When~~ the number of directors ~~and any vacancy on the Board of Directors may be filled only~~ is increased by the Board ~~of Directors, any newly created directorships shall be filled by the Board~~ by an affirmative vote of a majority of the directors then in office. If the number of directors then in office is less than a quorum, such newly created directorships and vacancies may be filled by a majority of the directors then in office, although less than a quorum, or by the sole remaining director. ~~A director elected by the Board of Directors to fill a vacancy~~ Each director chosen to fill a newly created directorship resulting from an increase in the number of directors shall be elected for a term expiring at the next annual meeting of shareholders and until such director's successor shall have been elected and qualified, subject to prior death, resignation, retirement, disqualification or removal. Each director chosen to fill a vacancy on the Board of Directors resulting from death, resignation, retirement, disqualification or removal, shall hold office until for a term expiring at the next election of the class for which the director shall have been chosen annual meeting of shareholders and until his or her such director's successor shall be have been elected and shall qualify qualified, subject to prior death, resignation, retirement, disqualification or removal. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director. A director or the entire Board of Directors may be removed only for cause by vote of the holders of a majority of the shares entitled to vote at an election of directors.

Notwithstanding the foregoing, whenever the holders of any one or more classes of preferred stock or series thereof issued by the Company shall have the right, voting separately by class or series, to elect directors at an annual or special meeting of shareholders, the election, term of office, filling of vacancies and other features of such directorship shall be governed by the terms of these Articles of Incorporation applicable thereto, ~~except that such directors so elected shall not be divided into classes pursuant to this Article.~~

~~This Article IX may not be amended by less than unanimous written consent of shareholders, and may only be amended by the affirmative vote of a majority of the shares entitled to vote thereon, in addition to the vote otherwise required by the Michigan Business Corporation Act.~~

~~ARTICLE X~~ ARTICLE IX

No action by written consent of holders of less than all the outstanding shares entitled to vote on such action shall be effective unless the proposed action shall have been approved by the Board of Directors before the consent of shareholders is executed.

~~ARTICLE XI~~ ARTICLE X

Pursuant to Section 784(1)(b) of the Michigan Business Corporation Act, the Corporation elects not to be governed by Chapter 7A of the Michigan Business Corporation Act, being Sections 775 through 784 of the Michigan Business Corporation Act; provided that the

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Corporation's Board of Directors may terminate this election in whole or in part by action of a majority of directors then in office.

ADOPTION OF RESTATED ARTICLES OF INCORPORATION

These Restated Articles of Incorporation were duly adopted on the ~~26th~~ 22nd day of ~~April, 2013~~ June, 2018 in accordance with the provisions of Section 642 of the Act by the ~~Board of Directors without a vote of the shareholders~~ shareholders at a meeting in accordance with section 611(3) of the Act. These Restated Articles of Incorporation only restate and integrate and do not further amend the provisions of the Articles of Incorporation as heretofore amended and there is no material discrepancy between those provisions and the provisions of these Restated Articles.

Signed this ~~3rd~~ 1st day of ~~May~~ June, ~~2013~~ 2018

By: /s/ Thomas E. Klema
Thomas E. Klema
Vice President and Chief Financial Officer

Name of person remitting fees:
Foley & Lardner LLP
Preparer's name and business telephone number:
Garrett F. Bishop
414-319-7024

Appendix B

**PROPOSED FORM OF
AMENDED AND RESTATED BYLAWS**

NOTE Proposed deletions are shown as stricken through text and proposed additions are shown as underscored and italics text.

**AMENDED AND RESTATED BYLAWS
OF
ROCKWELL MEDICAL, INC.,
a Michigan corporation**

As amended ~~March 12~~ [•], 2018

ARTICLE I

OFFICES

1.1 **Registered Office.** The registered office of the Corporation shall be located at such place in Michigan as the Board of Directors from time to time determines.

1.2 **Other Offices.** The Corporation may also have offices or branches at such other places as the Board of Directors from time to time determines or the business of the Corporation requires.

ARTICLE II

MEETINGS OF SHAREHOLDERS

2.1 **Time and Place.** All meetings of the shareholders shall be held at such place and time as the Board of Directors determines.

2.2 **Annual Meetings.** An annual meeting of shareholders shall be held on a date each year to be determined by the Board of Directors. At the annual meeting, the shareholders shall elect directors and transact such other business as is properly brought before the meeting and described in the notice of meeting. If the annual meeting is not held on its designated date, the Board of Directors shall cause it to be held as soon thereafter as convenient.

2.3 **Special Meetings.** Special meetings of the shareholders, for any purpose, (a) may be called by the Corporation's chief executive officer or the Board of Directors, and (b) shall be called by the President or Secretary upon written request (stating the purpose for which the meeting is to be called) of the holders of a majority of all the shares entitled to vote at the meeting; provided, that shareholders shall not be permitted, except as required by applicable law, to call a special meeting for the purpose of electing directors or amending this Section 2.3.

2.4 **Notice of Meetings.** Written notice of each shareholders meeting, stating the place, date and time of the meeting and the purposes for which the meeting is called, shall be given (in the manner described in Section 5.1 below) not less than 10 nor more than 60 days

before the date of the meeting to each shareholder of record entitled to vote at the meeting. Notice of adjourned meetings is governed by Section 2.7 below.

2.5 **Advance Notice Requirements for Shareholder Proposals and Director Nominees.**

(a) Director Nominations.

(1) Only persons who are nominated in accordance with the procedures set forth in this Section 2.5(a) shall be eligible to serve as directors of the Corporation. Nominations of persons for election to the Board of Directors may be made at an annual or special meeting of shareholders (i) by or at the direction of the Board of Directors (or any duly authorized committee thereof) (including, without limitation, by making reference to the nominees in the proxy statement delivered to shareholders on behalf of the Board of Directors), or (ii) by any shareholder of the Corporation who was a shareholder of record both at the time of giving of notice provided for in this Section 2.5(a) and at the time of the shareholders meeting, who is entitled to vote at the meeting, who complies with the notice procedures set forth in this Section 2.5(a) and who attends, or whose duly qualified representative attends, the meeting and makes such nomination(s). Unless otherwise provided in the Corporation's articles of incorporation, Section 2.5(a)(1)(ii) shall be the exclusive means for a shareholder to propose or make any nomination of a person or persons for election to the Board to be considered by the shareholders at an annual meeting or special meeting.

(2) Without qualification, for nominations to be made by a shareholder at an annual meeting or, if the Board has first determined that directors are to be elected at a special meeting, at a special meeting, the shareholder must (i) provide Timely Notice thereof in writing and in proper form (as provided in Section 2.5(a)(3)) to the Secretary of the Corporation at the Corporation's principal office and (ii) provide any updates or supplements to such notice at the times and in the form required by Section 2.5(c).

(3) To be in proper form for purposes of this Section 2.5(a), a shareholder's notice must set forth the following information:

(i) as to each person whom the shareholder proposes to nominate for election or reelection as a director (A) all information relating to such proposed nominee that would be required to be set forth in a shareholder's notice pursuant to this Section 2.5 if such proposed nominee were a Proposing Person, (B) all information relating to such proposed nominee that is required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors in a contested election pursuant to Section 14 under the Exchange Act and the rules and regulations thereunder (including such proposed nominee's written consent to being named in the proxy statement as a nominee and to serving as a director if elected), (C) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, arrangements or understandings between or among any Proposing Person and

each proposed nominee, and his or her respective affiliates and associates, (D) the amount of any equity securities beneficially owned (as defined in Rule 13d-3 (or any successor thereof) under the Exchange Act) in any direct competitor of the Corporation or its operating

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subsidiaries if such ownership by the nominee(s) and the Proposing Persons, in the aggregate, beneficially own 5% or more of the class of equity securities, and (E) an undertaking from each such person to be nominated that, if elected to the Board, they will comply with corporate governance, conflict of interest, confidentiality and stock ownership and trading policies and guidelines of the Corporation that are generally applicable to directors who are not employees of the Corporation;

(ii) as to each Proposing Person, (A) the name and address of such Proposing Person and, as to the shareholder providing the notice, such name and address as they appear on the Corporation's books, (B) a statement describing and quantifying in reasonable detail any Material Ownership Interests, (C) the amount of any equity securities beneficially owned (as defined in Rule 13d-3 (or any successor thereof) under the Exchange Act) in any direct competitor of the Corporation or its operating subsidiaries if such ownership by the nominee(s) and the Proposing Persons, in the aggregate, beneficially own 5% or more of the class of equity securities, and (D) whether the Proposing Person intends to solicit proxies from shareholders in support of such nominee(s); and

(iii) a representation that the shareholder providing the notice intends to appear in person or by proxy at the meeting to nominate the person named in its notice.

(4) The shareholder providing the notice shall furnish such other information as may reasonably be requested by the Corporation to determine the eligibility of such proposed nominee to serve as an independent director of the Corporation or that could be material to a reasonable shareholder's understanding of the independence or lack of independence of such nominee.

(5) Notwithstanding anything in the Timely Notice requirement in Section 2.5(a)(2) to the contrary, in the event that the number of directors to be elected to the Board is increased and there is no Public Announcement by the Corporation naming all of the nominees for director or, in the alternative, specifying the size of the increased Board at least 100 days prior to the first anniversary of the preceding year's annual meeting of shareholders, a shareholder's notice required by this Section 2.5 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to or mailed and received by the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which such Public Announcement is first made by the Corporation.

(b) Other Business.

(1) At an annual meeting of shareholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business (except as provided in the next sentence), must be (A) specified in the notice of meeting given by or at the direction of the Board of Directors (or any duly authorized committee thereof), (B) brought before the meeting by or at the direction of the Board of

Directors or (C) otherwise properly brought by any shareholder of the Corporation who was a shareholder of record both at the time of giving of notice provided for in this Section and at the time of the annual meeting, who is entitled to vote at the meeting, who complies with the notice

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procedures set forth in this Section 2.5(b) and who attends, or whose duly qualified representative attends, the meeting and presents such business to the meeting. Except for (i) proposals made in accordance with the procedures and conditions set forth in Rule 14a-8 (or any successor thereof) under the Exchange Act and included in the notice of meeting and proxy statement given by or at the direction of the Board of Directors (or any duly authorized committee thereof), and (ii) director nominations (which shall be governed by Section 2.5(a), clause (C) of the preceding sentence shall be the exclusive means for a shareholder to propose business to be brought before an annual meeting of shareholders. At a special meeting of shareholders, only such business shall be conducted as shall have been properly brought before the meeting pursuant to the Corporation's notice of meeting and applicable law.

(2) Without qualification, for business to be properly brought before an annual meeting by a shareholder pursuant to this Section 2.5(b), (i) the business must otherwise be a proper matter for shareholder action under applicable law and (ii) the shareholder must (A) provide Timely Notice thereof in writing and in proper form to the Secretary of the Corporation at the Corporation's principal office and (B) provide any updates or supplements to such notice at the times and in the form required by Section 2.5(c).

(3) To be in proper form for purposes of this Section 2.5(b), a shareholder's notice shall set forth the following information:

(i) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting (including the text of any resolutions or bylaw amendments proposed for consideration);

(ii) all information relating to such proposed business that is required to be included in a proxy statement or other filings required to be made in connection with solicitations of proxies pursuant to Section 14 under the Exchange Act and the rules and regulations thereunder in connection with the meeting at which such proposed business is to be acted upon;

(iii) a brief description of any material interest in such business of each Proposing Person and a brief description of all agreements, arrangements and understandings between such Proposing Person and any other person or persons (including their names) in connection with the proposal of such business;

(iv) as to each Proposing Person, (A) the name and address of such Proposing Person and, as to the shareholder providing the notice, such name and address as they appear on the Corporation's books, (B) a statement describing and quantifying in reasonable detail any Material Ownership Interests, and (C) whether the Proposing Person intends to solicit proxies from shareholders in support of such business; and

(v) a representation that the shareholder providing the notice intends to appear in person or by proxy at the meeting to propose the business identified in the shareholder's notice.

(c) Requirement to Update Information. A shareholder providing any notice as provided in Section 2.5(a) or (b) shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to Section 2.5(a) or 2.5 (b), as applicable, shall be true and correct as of the record date for the meeting and as of

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the date that is ten (10) business days prior to the meeting date or any adjournment or postponement thereof, and such update and supplement shall be delivered to or otherwise received by the Secretary at the principal executive offices of the Corporation not later than two (2) business days after the record date for the meeting (in the case of the update and supplement required to be made as of the record date) and not later than eight (8) business days prior to the date for the meeting or any adjournment or postponement thereof (in the case of the update and supplement required to be made as of ten (10) business days prior to the meeting or any adjournment or postponement thereof).

(d) Determination of Improperly Brought Nomination or Business. The chairman of the meeting shall, if the facts so warrant, determine and declare to the meeting that one or more nominations or other business was not properly brought before the meeting in accordance with the provisions of this Section 2.5 and, if the chairman should so determine, the chairman shall so declare to the meeting and any such defective nomination shall be disregarded and any such improperly brought business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the Corporation.

(e) Definitions. As used in this Section 2.5, the following terms have the meanings ascribed to them below.

(1) Exchange Act means the Securities Exchange Act of 1934, as amended.

(2) Material Ownership Interests means (i) the class or series and number of shares of the Corporation which are, directly or indirectly, owned beneficially (as defined in Rule 13d-3 (or any successor thereof) under the Exchange Act) and of record by such Proposing Person, (ii) any option, warrant, convertible security, stock appreciation right, or similar right with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of shares of the Corporation or with a value derived in whole or in part from the value of any class or series of shares of the Corporation (a Derivative Instrument) directly or indirectly owned beneficially by such Proposing Person, (iii) any proxy, contract, arrangement, understanding, or relationship pursuant to which such Proposing Person has a right to vote any shares of any security of the Corporation, (iv) any short interest beneficially owned or held by such Proposing Person in any security of the Corporation, (v) any rights to dividends on the shares of the Corporation owned beneficially by such Proposing Person that are separated or separable from the underlying shares of the Corporation, (vi) any proportionate interest in shares of the Corporation or Derivative Instruments held, directly or indirectly, by a (A) limited liability company in which the Proposing Person is a member or, directly or indirectly, beneficially owns an interest in a member, or (B) general or limited partnership in which such Proposing Person is a general partner or, directly or indirectly, beneficially owns an interest in a general partner, and (vii) any performance related fees (other than an asset-based fee) to which such Proposing Person is entitled based on any increase or decrease in the value of shares of the Corporation or Derivative Instruments, if any, as of the date of such notice.

(3) Proposing Person means (i) the shareholder providing the notice of the nomination or business proposed to be made or presented at the meeting, (ii) the beneficial owner, if different, on whose behalf the nomination or business proposed to be made or presented at the meeting is made, (iii) any affiliate or associate of such beneficial owner (as

such

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terms are defined in Rule 12b-2 (or any successor thereof) under the Exchange Act), and (iv) any other person with whom such shareholder or such beneficial owner (or any of their respective affiliates or associates) is acting in concert.

(4) Public Announcement means disclosure in a press release reported by the Dow Jones News Service, Associated Press, Prime Newswire, Marketwire, PR Newswire or comparable news service or in a document furnished to or filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act and publicly available.

(5) Timely Notice. (i) With respect to an annual meeting, a notice is a Timely Notice if it (A) is delivered to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the 120th day and not later than the close of business on the 90th day prior to the one-year anniversary of the preceding year's annual meeting, and (B) contains all of the information required to be contained therein by the applicable provisions of this Section 2.5; provided, however, that in the event that the date of the annual meeting is advanced by more than 30 days or delayed by more than 60 days from such anniversary date or if the Corporation did not hold an annual meeting in the preceding fiscal year, notice by the shareholder to be timely must be so delivered not later than the close of business on the 90th day prior to such annual meeting or, if later, the tenth day following the day on which a Public Announcement of the date of such meeting is first made by the Corporation.

(ii) With respect to a special meeting, a notice is a Timely Notice if it (A) is delivered to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the 120th day prior to such special meeting and not later than the close of business on the later of the 90th day prior to such special meeting or, if later, the tenth day following the day on which a Public Announcement is first made of the date of the special meeting and (B) contains all of the information required to be contained therein by the applicable provisions of this Section 2.5.

(iii) In no event shall the public announcement of a postponement or adjournment of an annual or special meeting to a later date or time commence a new time period for the giving of a shareholder's notice as described above.

(f) Compliance With Applicable Law. Notwithstanding the foregoing provisions of this Section 2.5, a shareholder shall also comply with all applicable requirements of state law and of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section. Nothing in this Section shall be deemed to affect any rights of (i) shareholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 (or any successor thereof) under the Exchange Act, or (ii) the holders of any series of preferred stock to elect directors pursuant to any applicable provisions of the articles of incorporation.

2.6 **List of Shareholders.** The officer or agent who has charge of the stock transfer books for shares of the Corporation shall make and certify a complete list of the shareholders entitled to vote at a shareholders meeting or any adjournment of the meeting. The list shall be arranged alphabetically within each class and series and shall show the address of, and the number of shares held by, each shareholder. The list shall be produced at the time and place of

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the meeting, may be inspected by any shareholder at any time during the meeting and shall be prima facie evidence of which shareholders are entitled to examine the list or vote at the meeting. If the meeting is held solely by means of remote communication, the list shall be open to the examination of any shareholder during the entire meeting by posting the list on a reasonably accessible electronic network, and the information required to access the list shall be provided with the notice of the meeting.

2.7 **Quorum; Adjournment; Attendance by Remote Communication.**

(a) Unless a greater or lesser quorum is required in the Articles of Incorporation or by the laws of the state of Michigan, at all shareholders' meetings, the shareholders present in person or represented by proxy who, as of the record date for the meeting, were holders of shares entitled to cast a majority of the votes at the meeting, shall constitute a quorum. Once a quorum is present at a meeting, all shareholders present in person or represented by proxy at the meeting may continue to do business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum. When the holders of a class or series of shares are entitled to vote separately on an item of business, this bylaw applies in determining the presence of a quorum of the class or series for transacting the item of business.

(b) Regardless of whether a quorum is present, a shareholders' meeting may be adjourned to another time and place by (i) a vote of the shares present in person or by proxy without notice other than announcement at the meeting; or (ii) the chairman of the meeting provided, that (x) only such business may be transacted at the adjourned meeting as might have been transacted at the original meeting and (y) if the adjournment is for more than 60 days or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting must be given to each shareholder of record entitled to vote at the meeting.

(c) Subject to any guidelines and procedures adopted by the Board of Directors, shareholders and proxy holders not physically present at a meeting of shareholders may participate in the meeting by means of remote communication (as such term is defined under applicable law), are considered present in person for all relevant purposes, and may vote at the meeting if all of the following conditions are satisfied: (i) the Corporation implements reasonable measures to verify that each person considered present and permitted to vote at the meeting by means of remote communication is a shareholder or proxy holder, (ii) the Corporation implements reasonable measures to provide each shareholder and proxy holder with a reasonable opportunity to participate in the meeting and to vote on matters submitted to the shareholders, including an opportunity to read or hear the proceedings of the meeting substantially concurrently with the proceedings, and (iii) if any shareholder or proxy holder votes or takes other action at the meeting by means of remote communication, a record of the vote or other action is maintained by the Corporation. A shareholder or proxy holder may be present and vote at the adjourned meeting by means of remote communication if he or she was permitted to be present and vote by that means of remote communication in the original meeting notice.

2.8 **Voting.** Each shareholder shall at every meeting of the shareholders be entitled to one vote in person or by proxy for each share having voting power held by such shareholder and on each matter submitted to a vote. Votes

may be cast orally or in writing, but if more than 25 shareholders of record are entitled to vote, then votes shall be cast in writing signed by the

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shareholder or the shareholder's proxy. When an action, other than the election of directors, is to be taken by vote of the shareholders, it shall be authorized by a majority of the votes cast by the holders of shares entitled to vote on such action. Abstentions shall not be considered votes cast on such action. Directors shall be elected by a plurality of the votes cast at any election.

2.9 Proxies. A shareholder entitled to vote at a meeting of shareholders or to express consent or dissent without a meeting may authorize other persons to act for him or her by proxy. Each proxy shall be in writing and signed by the shareholder or the shareholder's authorized agent or representative or shall be transmitted electronically to the person who will hold the proxy or to an agent fully authorized by the person who will hold the proxy to receive that transmission and include or be accompanied by information from which it can be determined that the electronic transmission was authorized by the shareholder. A complete copy, fax, or other reliable reproduction of the proxy may be substituted or used in lieu of the original proxy for any purpose for which the original could be used. A proxy shall not be valid after the expiration of three years from its date unless otherwise provided in the proxy. A proxy is revocable at the pleasure of the shareholder executing it except as otherwise provided by the laws of the state of Michigan.

2.10 Questions Concerning Elections. The Board of Directors may, in advance of the meeting, or the chairman of the meeting may, at the meeting, appoint one or more inspectors to act at a shareholders' meeting or any adjournment thereof. If appointed, the inspectors shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, the validity and effect of proxies, and shall receive votes, ballots or consents, hear and determine challenges and questions arising in connection with the right to vote, count and tabulate votes, ballots or consents, determine the result, and do such acts as are proper to conduct the election or vote with fairness to all shareholders. On request of the chairman of the meeting, the inspectors shall make and execute a written report to the chairman of the meeting of any of the facts found by them and matters determined by them. The report shall be prima facie evidence of the facts stated and of the vote as certified by the inspectors.

2.11 Conduct of Meeting. At each meeting of shareholders, a chairman shall preside. In the absence of a specific selection by the board of directors, the chairman shall be the Chairperson of the Board of Directors as provided in Section 4.7. The chairman shall determine the order of business and shall have the authority to establish rules for the conduct of the meeting which are fair to shareholders. The chairman of the meeting shall announce at the meeting when the polls close for each matter voted upon. If no announcement is made, the polls shall be deemed to have closed upon the final adjournment of the meeting. After the polls close, no ballots, proxies or votes, nor any revocations or changes thereto may be accepted. If participation is permitted by remote communication, the names of the participants in the meeting shall be divulged to all participants. The chairman of the meeting shall appoint a person to act as secretary of the meeting, which person may be the Secretary of the Corporation or any other person.

ARTICLE III

DIRECTORS

3.1 **Number and Residence.** The business and affairs of the Corporation shall be managed by or under the direction of a Board of Directors consisting of not less than three nor more than fifteen members. The number of directors shall be determined from time to time by a resolution adopted by an affirmative vote of the entire Board of Directors. Directors need not be Michigan residents or shareholders of the Corporation.

3.2 **Classes, Election and Term.** ~~The directors shall be divided into three classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one third of the total number of directors constituting the entire Board of Directors. When this Section 3.2 becomes first effective, the term of office of Class I directors shall end on the first annual stockholders meeting after their election; the term of office of Class II directors shall end on the second annual stockholders meeting after their election; and the term of office of Class III directors shall end on the third annual stockholders meeting after their election. At each annual meeting thereafter, a number of directors equal to the number of the class whose term expires at the time of the meeting shall be elected to hold office for a term that shall expire on the third succeeding annual meeting. The directors shall be elected in the manner provided in the Articles of Incorporation, by such shareholders as have the right to vote thereon.~~

~~If the number of directors is changed, any increase or decrease shall be apportioned among the classes of directors so as to maintain the number of directors in each class as nearly equal as possible, but in no case will a decrease in the number of directors shorten the term of any incumbent director. When the number of directors is increased by the Board of Directors and any newly created directorships are filled by the Board, the additional directors shall be classified as provided by the Board of Directors.~~

~~Notwithstanding the foregoing, whenever the holders of any one or more classes of preferred stock or series thereof issued by the Corporation shall have the right, voting separately by class or series, to elect directors at an annual or special meeting of shareholders, the election, term of office, filling of vacancies and other features of such directorship shall be governed by the terms of these Bylaws applicable thereto, except that such directors so elected shall not be divided into classes pursuant to this Article.~~

3.3 **Resignation.** A director may resign by written notice to the Corporation. A director's resignation is effective upon its receipt by the Corporation or a later time set forth in the notice of resignation.

3.4 **Removal.** One or more directors may be removed only for cause by vote of the holders of a majority of the shares entitled to vote at an election of directors.

3.5 **Vacancies.** ~~A director shall hold office until the meeting for the year in which his or her term expires and until his or her successor shall be elected and shall qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office. Vacancies, including vacancies resulting from an increase in the number of directors, may be filled by the Board of Directors, by the affirmative vote of a majority of all the directors~~

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~~remaining in office. If the number of directors then in office is less than a quorum, such newly created directorships and vacancies may be filled by a majority of the directors then in office, although less than a quorum, or by the sole remaining director. A director elected by the Board of Directors to fill a vacancy shall hold office until the next election of the class for which the director shall have been chosen and until his or her successor shall be elected and shall qualify. Vacancies on the Board of Directors shall be filled as provided in the Articles of Incorporation.~~

3.6 Place of Meetings. The Board of Directors may hold meetings at any location. The location of annual and regular Board of Directors meetings shall be determined by the Board and the location of special meetings shall be determined by the person calling the meeting.

3.7 Annual Meetings. Each newly elected Board of Directors may meet promptly after the annual shareholders meeting for the purposes of electing officers and transacting such other business as may properly come before the meeting. No notice of the annual directors meeting shall be necessary to the newly elected directors in order to legally constitute the meeting, provided a quorum is present.

3.8 Regular Meetings. Regular meetings of the Board of Directors or Board committees may be held without notice at such places and times as the Board or committee determines at least 30 days before the date of the meeting.

3.9 Special Meetings. Special meetings of the Board of Directors may be called by the chief executive officer, and shall be called by the President or Secretary upon the written request of two directors, on two days notice to each director or committee member by mail or 24 hours notice by any other means provided in Section 5.1. The notice must specify the place, date and time of the special meeting, but need not specify the business to be transacted at, nor the purpose of, the meeting. Special meetings of Board committees may be called by the Chairperson of the committee or a majority of committee members pursuant to this Section 3.9.

3.10 Quorum. At all meetings of the Board or a Board committee, a majority of the directors then in office, or of members of such committee, constitutes a quorum for transaction of business, unless a higher number is otherwise required by the Articles of Incorporation, these Bylaws or the Board resolution establishing such Board committee. If a quorum is not present at any Board or Board committee meeting, a majority of the directors present at the meeting may adjourn the meeting to another time and place without notice other than announcement at the meeting. Any business may be transacted at the adjourned meeting which might have been transacted at the original meeting, provided a quorum is present.

3.11 Voting. The vote of a majority of the members present at any Board or Board committee meeting at which a quorum is present constitutes the action of the Board of Directors or of the Board committee, unless a higher vote is otherwise required by the Michigan Business Corporation Act, the Articles of Incorporation, these Bylaws, or the Board resolution establishing the Board committee.

3.12 **Telephonic Participation.** Members of the Board of Directors or any Board committee may participate in a Board or Board committee meeting by means of conference telephone or similar communications equipment through which all persons participating in the

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meeting can communicate with each other. Participation in a meeting pursuant to this Section 3.12 constitutes presence in person at such meeting.

3.13 Action by Written Consent. Any action required or permitted to be taken under authorization voted at a Board or Board committee meeting may be taken without a meeting if, before or after the action, all members of the Board then in office or of the Board committee consent to the action in writing. Such consents shall be filed with the minutes of the proceedings of the Board or committee and shall have the same effect as a vote of the Board or committee for all purposes.

3.14 Additional Committees. The Board of Directors may, by resolution passed by a majority of the directors then in office, designate one or more committees, each consisting of one or more directors. The Board may designate one or more directors as alternate members of a committee, who may replace an absent or disqualified member at a committee meeting. In the absence or disqualification of a member of a committee, the committee members present and not disqualified from voting, regardless of whether they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in place of such absent or disqualified member. Any committee, to the extent provided in the resolution of the Board, may exercise all powers and authority of the Board of Directors in management of the business and affairs of the Corporation, except a committee does not have power or authority to:

- (a) Amend the Articles of Incorporation.
- (b) Adopt an agreement of merger or share exchange.
- (c) Recommend to shareholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets.
- (d) Recommend to shareholders a dissolution of the Corporation or a revocation of a dissolution.
- (e) Amend the Bylaws of the Corporation.
- (f) Unless the resolution designating the committee or a later Board of Director's resolution expressly so provides, declare a distribution or dividend or authorize the issuance of shares.

Each committee and its members shall serve at the pleasure of the Board, which may at any time change the members and powers of, or discharge, the committee. Each committee shall keep regular minutes of its meetings and report them to the Board of Directors when required.

3.15 **Compensation.** The Board, by affirmative vote of a majority of directors in office and irrespective of any personal interest of any of them, may establish reasonable compensation of directors for services to the Corporation as directors, officers or members of a Board committee. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation for such service.

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~~3.16 **Amendment.** This Article III may not be amended by less than unanimous written consent of shareholders, and may only be amended by the affirmative vote of a majority of the shares entitled to vote thereon, in addition to the vote otherwise required by the Michigan Business Corporation Act.~~

ARTICLE IV

OFFICERS

4.1 **Officers and Agents.** The Board of Directors shall appoint a President, a Secretary and a Treasurer, and may also elect and designate as officers a Chairperson of the Board, a Vice Chairperson of the Board and one or more Executive Vice Presidents, Vice Presidents, Assistant Vice Presidents, Assistant Secretaries and Assistant Treasurers. The Board of Directors may also from time to time appoint, or delegate authority to the Corporation's chief executive officer to appoint, such other officers and agents as it deems advisable. Any number of offices may be held by the same person, but an officer shall not execute, acknowledge or verify an instrument in more than one capacity if the instrument is required by law to be executed, acknowledged or verified by two or more officers. An officer has such authority and shall perform such duties in the management of the Corporation as provided in these Bylaws, or as may be determined by resolution of the Board of Directors not inconsistent with these Bylaws, and as generally pertain to their offices, subject to the control of the Board of Directors.

4.2 **Compensation.** The compensation of all officers of the Corporation shall be fixed by the Board of Directors (or a designated committee thereof).

4.3 **Term.** Each officer of the Corporation shall hold office for the term for which he or she is elected or appointed and until his or her successor is elected or appointed and qualified, or until his or her resignation or removal. The election or appointment of an officer does not, by itself, create contract rights.

4.4 **Removal.** An officer elected or appointed by the Board of Directors may be removed at any time by the Board of Directors with or without cause. The removal of an officer shall be without prejudice to his or her contract rights, if any.

4.5 **Resignation.** An officer may resign by written notice to the Corporation. The resignation is effective upon its receipt by the Corporation or at a subsequent time specified in the notice of resignation.

4.6 **Vacancies.** Any vacancy occurring in any office of the Corporation shall be filled by the Board of Directors.

4.7 **Chairperson of the Board.** The Chairperson of the Board, if such office is filled, shall be a director and shall preside at all shareholders and Board of Directors meetings at which the Chairperson is present unless otherwise determined by the Board of Directors pursuant to Section 2.11. If the office of Chairperson of the Board is not filled, the Board shall select another independent director to perform the duties and execute the authority of the Chairperson of the Board.

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4.8 **Chief Executive Officer.** The chief executive officer of the Corporation shall have the general powers of supervision and management of the business and affairs of the Corporation usually vested in the chief executive officer of a corporation and shall see that all orders and resolutions of the Board of Directors are carried into effect. If no designation of chief executive officer is made, the President shall be the chief executive officer. The chief executive officer may delegate to the other officers such of his or her authority and duties at such time and in such manner as he or she deems advisable.

4.9 **President.** The President shall be the chief operating officer of the Corporation. The President may delegate to the officers other than the chief executive officer or Chairperson of the Board, if any, such of his or her authority and duties at such time and in such manner as he or she deems appropriate.

4.10 **Executive Vice Presidents and Vice Presidents.** The Executive Vice Presidents and Vice Presidents shall assist and act under the direction of the Corporation's chief executive officer, unless otherwise determined by the Board of Directors or the chief executive officer. The Board of Directors may designate one or more Executive Vice Presidents and may grant other Vice Presidents titles which describe their functions or specify their order of seniority. In the absence or disability of the President, the authority of the President shall descend to the Executive Vice Presidents or, if there are none, to the Vice Presidents in the order of seniority indicated by their titles or otherwise specified by the Board. If not specified by their titles or the Board, the authority of the President shall descend to the Executive Vice Presidents or, if there are none, to the Vice Presidents, in the order of their seniority in such office.

4.11 **Secretary.** The Secretary shall act under the direction of the Corporation's chief executive officer and President. The Secretary shall attend all shareholders' and Board of Directors' meetings, record minutes of the proceedings and maintain the minutes and all documents evidencing corporate action taken by written consent of the shareholders and Board of Directors in the Corporation's minute books. The Secretary shall perform these duties for Board committees when required. The Secretary shall see to it that all notices of shareholders' meetings and special Board of Directors' meetings are duly given in accordance with applicable law, the Articles of Incorporation and these Bylaws. The Secretary shall have custody of the Corporation's seal and, when authorized by the Corporation's chief executive officer, President or the Board of Directors, shall affix the seal to any instrument requiring it and attest such instrument.

4.12 **Treasurer.** The Treasurer shall act under the direction of the Corporation's chief executive officer and President. The Treasurer shall have custody of the corporate funds and securities and shall keep full and accurate accounts of the Corporation's assets, liabilities, receipts and disbursements in books belonging to the Corporation. The Treasurer shall deposit all moneys and other valuables in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Corporation's chief executive officer, the President or the Board of Directors, taking proper vouchers for such disbursements, and shall render to the Corporation's chief executive officer, the President and the Board of Directors (at its regular meetings or whenever they request it) an account of all his or her transactions as Treasurer and of the financial condition of the Corporation. If required by the Board of

Directors, the Treasurer shall give the Corporation a bond for the faithful discharge of his or her duties in such amount and with such surety as the Board prescribes.

4.13 Assistant Vice Presidents, Secretaries and Treasurers. The Assistant Vice Presidents, Assistant Secretaries and Assistant Treasurers, if any, shall act under the direction of the Corporation's chief executive officer, the President and the officer they assist. In the order of their seniority, the Assistant Secretaries shall, in the absence or disability of the Secretary, perform the duties and exercise the authority of the Secretary. The Assistant Treasurers, in the order of their seniority, shall, in the absence or disability of the Treasurer, perform the duties and exercise the authority of the Treasurer.

4.14 Execution of Contracts and Instruments. The Board of Directors may designate an officer or agent with authority to execute any contract or other instrument on the Corporation's behalf; the Board may also ratify or confirm any such execution. If the Board authorizes, ratifies or confirms the execution of a contract or instrument without specifying the authorized executing officer or agent, the Corporation's chief executive officer, the President, any Executive Vice President or Vice President or the Treasurer may execute the contract or instrument in the name and on behalf of the Corporation and may affix the corporate seal to such document or instrument.

4.15 Voting of Shares and Securities of Other Corporations and Entities. Unless the Board of Directors otherwise directs, the Corporation's chief executive officer shall be entitled to vote or designate a proxy to vote all shares and other securities which the Corporation owns in any other corporation or entity.

ARTICLE V

NOTICES AND WAIVERS OF NOTICE

5.1 Delivery of Notices. All written notices to shareholders, directors and Board committee members shall be given personally or by mail (registered, certified or other first class mail, with postage pre-paid), addressed to such person at the address designated by him or her for that purpose or, if none is designated, at his or her last known address. Written notices to directors or Board committee members may also be delivered at his or her office on the Corporation's premises, if any, or by overnight carrier, telegram, telex, telecopy, radiogram, cablegram, facsimile, computer transmission or other electronic transmission (as such term is defined under applicable law), addressed to the address referred to in the preceding sentence. Notices given pursuant to this Section 5.1 shall be deemed to be given when dispatched, or, if mailed, when deposited in a post office or official depository under the exclusive care and custody of the United States postal service. Notices given by overnight carrier shall be deemed dispatched at 9:00 a.m. on the day the overnight carrier is reasonably requested to deliver the notice. Telephonic notice may be given for special meetings of the Board of Directors or any Board committee. The Corporation shall have no duty to change the written address of any director, Board committee member or shareholder unless the Secretary receives written notice of such address change. If the Corporation is required or permitted to provide shareholders with a written notice, report, statement or communication, the Corporation may deliver to all shareholders sharing a common address one

shared copy of it to the common address if: (i) the Corporation addresses the notice, report, statement or communication to the shareholders who

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share the common address in any form to which any of such shareholders have not objected, (ii) at least 60 days before the first delivery of any delivery to a common address, the Corporation gives notice to the shareholders who share that common address that it intends to provide only one shared copy of notices, reports, statements and other communications to shareholders that share a common address, and (iii) the Corporation has not received a written objection from any shareholder that shares a common address to deliveries to that shareholder in the manner provided in this sentence. If such an objection is received, the objecting shareholder shall be provided separate copies of notices, reports, statements and other communications beginning 30 days after the Corporation's receipt of such objection, but may deliver one shared copy of notices, reports, statements and other communications to the other shareholders at the common address who have not objected.

5.2 Waiver of Notice. Action may be taken without a required notice and without lapse of a prescribed period of time, if at any time before or after the action is completed the person entitled to notice or to participate in the action to be taken or, in the case of a shareholder, his or her attorney-in-fact, submits a signed waiver of the requirements either before or after the meeting, or if such requirements are waived in such other manner as may be permitted by applicable law. Neither the business to be transacted at, nor the purpose of, the meeting need be specified in the written waiver of notice. Attendance at any shareholders' meeting (in person or by proxy) will result in both of the following:

(a) Waiver of objection to lack of notice or defective notice of the meeting, unless the shareholder at the beginning of the meeting objects to holding the meeting or transacting business at the meeting.

(b) Waiver of objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the shareholder objects to considering the matter when it is presented.

A director's attendance at or participation in any Board or Board committee meeting waives any required notice to him or her of the meeting unless he or she, at the beginning of the meeting or upon his or her arrival, objects to the meeting or the transacting of business at the meeting and does not thereafter vote for or assent to any action taken at the meeting.

5.3 Subcommittees. Any committee established by the Board of Directors pursuant to Section 3.14 may create one or more subcommittees. Each subcommittee shall consist of one or more members of the committee. The committee may delegate all or part of its power or authority to a subcommittee. All references in these Bylaws to committee shall be deemed also to refer to subcommittees.

ARTICLE VI

SHARE CERTIFICATES AND SHAREHOLDERS OF RECORD

6.1 **Certificates for Shares.** The shares of the Corporation shall be represented by certificates signed by the Chairperson of the Board, Vice- chairperson of the Board, President or a Vice-president. The certificates also may be signed by another officer of the Corporation. The officers' signatures may be facsimiles if the certificate is countersigned by a transfer agent or

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registered by a registrar other than the Corporation or its employee. If any officer who has signed or whose facsimile signature has been placed upon a certificate ceases to be such officer before the certificate is issued, it may be issued by the Corporation with the same effect as if the person were such officer at the date of issue. Notwithstanding the foregoing, the Corporation may issue some or all of the shares without certificates to the fullest extent permitted by law. Within a reasonable time after the issuance or transfer of shares without certificates, the Corporation shall send the shareholder a written statement of the information required on certificates by applicable law.

6.2 Lost or Destroyed Certificates. The Board of Directors may direct or authorize an officer to direct that a new certificate for shares be issued in place of any certificate alleged to have been lost or destroyed. When authorizing such issue of a new certificate, the Board of Directors or officer may, in its discretion and as a condition precedent to the issuance thereof, require the owner (or the owner's legal representative) of such lost or destroyed certificate to give the Corporation an affidavit claiming that the certificate is lost or destroyed or a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to such old or new certificate.

6.3 Transfer of Shares. Certificated shares of the Corporation are transferable only on the Corporation's stock transfer books upon surrender to the Corporation or its transfer agent of a certificate for the shares, duly endorsed for transfer, and the presentation of such evidence of ownership and validity of the transfer as the Corporation requires. Transfers of uncertificated shares shall be made by such written instrument as the Board of Directors shall from time to time specify, and such proof of the authenticity of the signature as the Corporation or its agents may reasonably require.

6.4 Record Date. The Board of Directors may fix, in advance, a date as the record date for determining shareholders for any purpose, including without limitation determining shareholders entitled to (a) notice of, and to vote at, any shareholders' meeting or any adjournment of such meeting; (b) express consent to, or dissent from, a proposal without a meeting; or (c) receive payment of a dividend or distribution or allotment of a right. The record date shall not be more than 60 nor less than 10 days before the date of the meeting, nor more than 10 days after the Board resolution fixing a record date for determining shareholders entitled to express consent to, or dissent from, a proposal without a meeting, nor more than 60 days before any other action.

If a record date is not fixed:

(a) the record date for determining the shareholders entitled to notice of, or to vote at, a shareholders' meeting shall be the close of business on the day next preceding the day on which notice of the meeting is given, or, if no notice is given, the close of business on the day next preceding the day on which the meeting is held; and

(b) if prior action by the Board of Directors is not required with respect to the corporate action to be taken without a meeting, the record date for determining shareholders entitled to express consent to, or dissent from, a proposal

without a meeting, shall be the first date on which a signed written consent is properly delivered to the Corporation;
and

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(c) the record date for determining shareholders for any other purpose shall be the close of business on the day on which the resolution of the Board of Directors relating to the action is adopted.

A determination of shareholders of record entitled to notice of, or to vote at, a shareholders meeting shall apply to any adjournment of the meeting, unless the Board of Directors fixes a new record date for the adjourned meeting. Only shareholders of record on the record date shall be entitled to notice of, or to participate in, the action to which the record date relates, notwithstanding any transfer of shares on the Corporation's books after the record date. This Section 6.4 shall not affect the rights of a shareholder and the shareholder's transferor or transferee as between themselves.

6.5 Registered Shareholders. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of a share for all purposes, including notices, voting, consents, dividends and distributions, and shall not be bound to recognize any other person's equitable or other claim to interest in such share, regardless of whether it has actual or constructive notice of such claim or interest, except as expressly required by applicable law.

ARTICLE VII

INDEMNIFICATION

7.1 Mandatory Indemnification; Advance Expenses. The Corporation shall, to the fullest extent authorized or permitted by the Michigan Business Corporation Act (MBCA), (a) indemnify any person, and his or her heirs, personal representatives, executors, administrators and legal representatives, who was, is, or is threatened to be made, a party to any threatened, pending or completed action, suit or proceeding (whether civil, criminal, administrative or investigative), including any appeal, by reason of the fact that such person is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director, officer, member, partner, trustee, employee, fiduciary or agent of another foreign or domestic corporation, partnership, limited liability company, joint venture, trust, or other enterprise, including service with respect to employee benefit plans or public service or charitable organizations, against expenses (including actual and reasonable attorney fees and disbursements), judgments, (other than in an action by or in the right of the Corporation), penalties, fines, excise taxes and amounts paid in settlement actually and incurred by him or her in connection with such action, suit, or proceeding (collectively, Covered Matters); and (b) pay or reimburse the reasonable expenses incurred by such person and his or her heirs, executors, administrators and legal representatives in connection with any Covered Matter in advance of final disposition of such Covered Matter if, in the case of this clause (b), the person furnishes the Corporation a written undertaking executed personally, or on his or her belief, to repay the advance if it is ultimately determined that he or she did not meet the standard of conduct, if any, required by the MBCA for the indemnification of the person under the circumstances.

7.2 **Permissive Indemnification.** The Corporation may provide such other indemnification to directors, officers, employees and agents by insurance, contract or otherwise as is permitted by law and authorized by the Board of Directors.

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7.3 **Nonexclusivity.** The indemnification or advancement of expenses provided under this Article VII is not exclusive of other rights to which a person seeking indemnification or advancement of expenses may be entitled under any other arrangement with the Corporation. However, the total amount of expenses advanced or indemnified from all sources combined shall not exceed the amount of actual expenses incurred by the person seeking indemnification or advancement of expenses.

7.4 **Contract Right.** The rights conferred in this Article VII shall be contract rights and shall apply to services of a director or officer as an employee or agent of the Corporation as well as in the person's capacity as a director or officer. No amendment or repeal of Article VII shall apply to or have any effect on any director or officer of the Corporation for or with respect to any acts or omissions of the director or officer occurring before the amendment or repeal.

7.5 **Enforcement of Rights.** Any determination with respect to indemnification or payment in advance of final disposition under this Article VII shall be made promptly, and in any event within 30 days, after written request to the Corporation by the person seeking such indemnification or payment. If it is determined that such indemnification or payment is proper and if such indemnification or payment is authorized (to the extent such determination or authorization are required), then such indemnification or payment in advance of final disposition under this Article VII shall be made promptly, and in any event within 30 days after such determination has been made, such authorization that may be required has been given and any conditions precedent to such indemnification or payment set forth in this Article VII, the Articles of Incorporation or applicable law have been satisfied. The rights granted by this Article VII shall be enforceable by such person in any court of competent jurisdiction.

ARTICLE VIII

GENERAL PROVISIONS

8.1 **Checks and Funds.** All checks, drafts or demands for money and notes of the Corporation must be signed by such officer or officers or such other person or persons as the Board of Directors from time to time designates. All funds of the Corporation not otherwise employed shall be deposited or used as the Board of Directors from time to time designates.

8.2 **Fiscal Year.** The fiscal year of the Corporation shall end on such date as the Board of Directors from time to time determines.

8.3 **Corporate Seal.** The Board of Directors may adopt a corporate seal for the Corporation. The corporate seal, if adopted, shall be circular and contain the name of the Corporation and the words "Corporate Seal Michigan". The seal may be used by causing it or a facsimile of it to be impressed, affixed, reproduced or otherwise. Documents

otherwise properly executed on behalf of the Corporation shall be valid and binding upon the Corporation without a seal, whether or not one is adopted by the Board of Directors.

8.4 **Books and Records.** The Corporation shall keep within or outside of Michigan books and records of account and minutes of the proceedings of its shareholders, Board of Directors and Board committees, if any. The Corporation shall keep at its registered office or at the office of its transfer agent within or outside of Michigan records containing the names and

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addresses of all shareholders, the number, class and series of shares held by each and the dates when they respectively became recordholders of shares. Any of such books, records or minutes may be in written form or in any other form capable of being converted into written form within a reasonable time.

8.5 **Control Share Acquisitions.** Chapter 7B of the MBCA shall not apply to control share acquisitions of shares of the Corporation.

ARTICLE IX

AMENDMENTS

These Bylaws may be amended or repealed, or new Bylaws may be adopted, by action of either the shareholders or a majority of the Board of Directors then in office. The Articles of Incorporation or these Bylaws may from time to time specify particular provisions of the Bylaws which may not be altered or repealed by the Board of Directors.

ARTICLE X

SCOPE OF BYLAWS

These Bylaws govern the regulation and management of the affairs of the Corporation to the extent that they are consistent with applicable law and the Articles of Incorporation; to the extent they are not consistent, applicable law and the Articles of Incorporation shall govern.

Appendix C

**ROCKWELL MEDICAL, INC.
2018 LONG TERM INCENTIVE PLAN**

I. GENERAL PROVISIONS

1.1 **Establishment.** On April 13, 2018, the Board, adopted the Plan, subject to the approval of shareholders at the Corporation's 2018 annual meeting of shareholders.

1.2 **Purpose.** The purpose of the Plan is to (a) promote the best interests of the Corporation and its shareholders by encouraging Employees, Directors and Consultants of the Corporation and its Subsidiaries to acquire an ownership interest in the Corporation by granting stock-based Awards, thus aligning their economic interests with those of the Corporation's shareholders, and (b) enhance the ability of the Corporation and its Subsidiaries to attract, motivate and retain qualified Employees, Directors and Consultants.

1.3 **Plan Duration.** Subject to shareholder approval as provided in Section 11.12, the Plan shall become effective on April 13, 2018 and shall continue in effect until its termination by the Board; provided, however, that no new Awards may be granted on or after April 13, 2028.

1.4 **Definitions and Interpretations.** Whenever the words include, includes or including are used, they shall be understood to be followed by the words without limitation. Article and Section references in the Plan shall be to Articles and Sections of the Plan unless otherwise noted. As used in this Plan, the following terms have the meaning described below:

(a) **Agreement** means the written document that sets forth the terms of a Participant's Award.

(b) **Award** means any form of Option, Stock Appreciation Right, Restricted Stock Award, Restricted Stock Unit Award, Performance Award, Incentive Award or other award granted under the Plan.

(c) **Board** means the Board of Directors of the Corporation.

(d) **Cause** means (i) if a Participant is a party to a written employment agreement with the Corporation or a Subsidiary, **Cause** as defined in such agreement, as in effect from time to time, and (ii) in all other cases, (A) a Participant's continued failure to substantially perform Participant's duties to the Corporation or its Subsidiaries (other than as a result of Disability) for a period of 10 days following written notice by the Corporation to Participant of such failure, (B) dishonesty in the performance of Participant's duties, (C) Participant's conviction of, or plea of nolo contendere to, a crime constituting (x) a felony under the laws of the United States or any state thereof, or (y) a misdemeanor involving a crime of embezzlement, theft, dishonesty, or moral turpitude, (D) Participant's willful malfeasance or willful misconduct in connection with Participant's duties to the Corporation or any Subsidiary, or any act or omission which is injurious to the financial condition or business reputation of the Corporation or its Subsidiaries, or (E) Participant's breach of any non-compete, confidentiality or intellectual property obligations to the Corporation or its Subsidiaries.

(e) **Change in Control** means the occurrence of any of the following events:

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(i) If the Corporation consolidates with or merges into any other corporation or other entity that is not controlled by or under common control with the Corporation, and the Corporation is not the continuing or surviving entity of such consolidation or merger;

(ii) If the Corporation permits any other corporation or other entity that is not controlled by or under common control with the Corporation to consolidate with or merge into the Corporation and the Corporation is the continuing or surviving entity but, in connection with such consolidation or merger the shareholders of the Corporation immediately prior to such transaction cease to own at least 50% of the combined voting power of the outstanding voting securities of the Corporation immediately following the transaction or the Common Stock is changed into or exchanged for stock or other securities of any other corporation or other entity or cash or any other assets;

(iii) If the Corporation dissolves or liquidates;

(iv) If the Corporation effects a share exchange, capital reorganization or reclassification transaction in such a way that (A) holders of Common Stock shall be entitled to receive stock, securities, cash or other assets with respect to or in exchange for the Common Stock, and (B) (x) neither the Common Stock nor the consideration received in such transaction is a class of equity securities registered under Section 12 of the Exchange Act following such transaction or (y) a majority of members on the Board are replaced in connection with such transaction;

(v) If any one person, or more than one person acting as a group (as determined in accordance with Sections 13(d) and 14(d) of the Exchange Act), acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) ownership of Common Stock possessing thirty-five percent (35%) or more of the total outstanding voting power of the Common Stock;

(vi) If a majority of members on the Board are replaced during any 12-month period by Directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election (provided that for purposes of this paragraph, the term Corporation refers solely to the relevant corporation, as defined in Code Section 409A and regulations thereunder, for which no other corporation is a majority shareholder); or

(vii) If there is a change in the ownership of a substantial portion of the Corporation's assets, which shall occur on the date that any one person, or more than one person acting as a group (as determined in accordance with Sections 13(d) and 14(d) of the Exchange Act) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the Corporation that have a total gross fair market value equal to or more than forty percent (40%) of the total gross fair market value of all of the assets of the Corporation immediately prior to such acquisition or acquisitions, as determined by the Board. For this purpose, gross fair market value means the value of the assets of the Corporation, or the value of the assets being disposed of, determined by the Board without regard to any liabilities associated with such assets.

As used in this paragraph, the term person shall include individuals and entities.

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Notwithstanding the foregoing, for purposes of an Award (A) that is considered deferred compensation subject to the provisions of Code Section 409A, or (B) with respect to which the Corporation permits a deferral election, the definition of **Change in Control** shall be deemed amended to conform to the requirements of Code Section 409A to the extent necessary for such Awards and deferral elections to comply with Code Section 409A.

(f) **Change in Control Price** shall mean the per share price paid or deemed paid for the outstanding Common Stock in the Change in Control transaction, as determined by the Committee.

(g) **Change in Control Termination** means a termination of an Employee Participant's employment by the Corporation without Cause or, if the Employee is a party to a written employment agreement with the Corporation, by Employee for good reason (as defined in such agreement as in effect from time to time), which termination occurs after the execution of an agreement to which the Corporation is a party pursuant to which a Change in Control has occurred or will occur (upon consummation of the transactions contemplated by such agreement) but, if a Change in Control has occurred pursuant thereto, not more than two years after such Change in Control, and if a Change in Control has not yet occurred pursuant thereto, while such agreement remains executory.

(h) **Code** means the Internal Revenue Code of 1986, as amended.

(i) **Committee** means the Compensation Committee of the Board, or any other committee or sub-committee of the Board, designated by the Board from time to time, comprised solely of two or more Directors who are non-employee directors, as defined in Rule 16b-3 of the Exchange Act and independent directors for purposes of the rules and regulations of the Stock Exchange. However, the fact that a Committee member shall fail to qualify under any of these requirements shall not invalidate any Award made by the Committee if the Award is otherwise validly made under the Plan. The members of the Committee shall be appointed by, and may be changed at any time and from time to time, at the discretion of the Board.

(j) **Common Stock** means shares of the Corporation's authorized common stock.

(k) **Consultant** means a consultant or advisor (other than as an Employee or Director) to the Corporation or a Subsidiary; provided that such person is an individual who (1) renders bona fide services that are not in connection with the offer and sale of the Corporation's securities in a capital-raising transaction, and (2) does not promote or maintain a market for the Corporation's securities.

(l) **Corporation** means Rockwell Medical, Inc., a Michigan corporation.

(m) **Director** means an individual, other than an Employee, who has been elected or appointed to serve as a member of the Board.

(n) **Disability** means total and permanent disability, as defined in Code Section 22(e); provided, however, that for purposes of a Code Section 409A distribution event, disability shall be defined under Code Section 409A and regulations thereunder.

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(o) **Employee** means an individual who has an employment relationship with the Corporation or a Subsidiary, as defined in Treasury Regulation 1.421-1(h), and the term employment means employment with the Corporation or a Subsidiary.

(p) **Exchange Act** means the Securities Exchange Act of 1934, as amended from time to time, and any successor thereto.

(q) **Fair Market Value** means for purposes of determining the value of Common Stock on the Grant Date, the closing price per share of the Common Stock on the Stock Exchange on the Grant Date. In the event that there are no Common Stock transactions reported on the Stock Exchange on such date, the Fair Market Value shall be determined as of the immediately preceding date on which there were Common Stock transactions reported on the Stock Exchange. Unless otherwise specified in the Plan, Fair Market Value for purposes of determining the value of Common Stock on the date of exercise or Vesting means the closing price per share of the Common Stock on the Stock Exchange on the last date preceding the date of exercise or Vesting on which there were Common Stock transactions reported on the Stock Exchange. If the Common Stock is not listed on a Stock Exchange on the relevant date, the Fair Market Value shall be determined by the Committee in good faith and in accordance with Code Section 409A and regulations thereunder.

(r) **Grant Date** means the date on which the Committee grants an Award, or such later effective grant date as shall be designated by the Committee or as set forth in a Participant's Agreement.

(s) **Incentive Award** means an Award that is granted in accordance with Article VI.

(t) **Incentive Stock Option** means an Option granted pursuant to Article II that is intended to meet the requirements of Code Section 422.

(u) **Nonqualified Stock Option** means an Option granted pursuant to Article II that is not an Incentive Stock Option.

(v) **Option** means either an Incentive Stock Option or a Nonqualified Stock Option.

(w) **Participant** means an Employee, Director or Consultant who is designated by the Committee to participate in the Plan or otherwise receives an Award; provided, however, that our Chief Executive Officer and our Directors, all as of April 13, 2018, shall not be considered a Participant under the Plan and shall not be eligible to receive any awards

under the Plan (except for the contingent option awards granted under the Plan to Directors on March 19, 2018) until immediately after our 2019 annual meeting of shareholders.

(x) **Performance Award** means any Award of Performance Shares or Performance Units granted pursuant to Article V.

(y) **Performance Goals** means the measures of performance of the Corporation and its Subsidiaries selected by the Committee to determine a Participant's entitlement to a Performance Award under the Plan.

(z) **Performance Share** means any grant pursuant to Article V and Section 5.2(b)(i).

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- (aa) **Performance Unit** means any grant pursuant to Article V and Section 5.2(b)(ii).
- (bb) **Plan** means the Rockwell Medical, Inc. 2018 Long Term Incentive Plan, the terms of which are set forth herein, and any amendments thereto.
- (cc) **Restriction Period** means the period of time during which a Participant's Restricted Stock or Restricted Stock Unit is subject to a risk of forfeiture and/or and is nontransferable.
- (dd) **Restricted Stock** means Common Stock granted pursuant to Article IV that is subject to a Restriction Period.
- (ee) **Restricted Stock Unit** means a right granted pursuant to Article IV to receive Restricted Stock, Common Stock or cash.
- (ff) **Securities Act** means the Securities Act of 1933, as amended from time to time, and any successor thereto.
- (gg) **Stock Appreciation Right** means the right to receive a cash or Common Stock payment from the Corporation, in accordance with Article III of the Plan.
- (hh) **Stock Exchange** means the principal national securities exchange on which the Common Stock is listed for trading, or, if the Common Stock is not listed for trading on a national securities exchange, such other recognized trading market upon which the largest number of shares of Common Stock has been traded in the aggregate during the last 20 days before the applicable date.
- (ii) **Subsidiary** means a corporation or other entity defined in Code Section 424(f).
- (jj) **Substitute Awards** shall mean Awards granted or shares issued by the Corporation in assumption of, or in substitution or exchange for, Awards previously granted, or the right or obligation to make future Awards, by a company acquired by the Corporation or any Subsidiary or with which the Corporation or any Subsidiary combines.

(kk) **Vested** or **Vesting** means the extent to which an Award granted or issued hereunder has become exercisable or upon termination or lapse of any applicable Restriction Period in accordance with the Plan and the terms of any respective Agreement pursuant to which such Award was granted or issued, or has become payable in whole or in part due to the satisfaction of Performance Goal(s) set forth in the respective Agreement pursuant to which such Award was granted or issued.

1.5 **Administration.**

(a) The Plan and all Agreements thereunder shall be administered by the Committee. The Committee shall, in its discretion, interpret the Plan and all Agreements thereunder, prescribe, amend, and rescind rules and regulations relating to the Plan and all Agreements thereunder, and make all other determinations necessary or advisable for its/their administration. The decision of the Committee on any question concerning the interpretation of the Plan and all Agreements

thereunder or its/their administration with respect to any Award granted under the Plan shall be final and binding upon all Participants. No member of the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any Award hereunder. Any Awards granted by the Committee under the Plan must be approved by a majority of the Board.

(b) In addition to any other powers set forth in the Plan and subject to Code Section 409A and the provisions of the Plan, the Committee shall have the full and final power and authority, in its discretion to:

(i) Subject to Section 11.6, amend, modify, or cancel any Award, or to waive any restrictions or conditions applicable to any shares of Common Stock acquired pursuant thereto;

(ii) Authorize, in conjunction with any applicable deferred compensation plan of the Corporation, that the receipt of cash or Common Stock subject to any Award under this Plan may be deferred under the terms and conditions of such deferred compensation plan;

(iii) Determine the terms and conditions of Awards granted to Participants and whether such terms and conditions have been satisfied; and

(iv) Establish such other Awards, besides those specifically enumerated in the Plan, which the Committee determines are consistent with the Plan's purposes.

(c) Notwithstanding any other provision of this Plan to the contrary, the Committee and the Board shall not have the authority or the discretion to accelerate the Vesting of any Award, except in the case of a Participant's death or Disability.

1.6 **Participants.** Participants in the Plan shall be such Employees, Directors and Consultants of the Corporation and its Subsidiaries as the Committee in its discretion may select from time to time; provided, however, that our Chief Executive Officer and our Directors, all as of April 13, 2018, shall not be considered a Participant under the Plan and shall not be eligible to receive any awards under the Plan (except for the contingent option awards granted under the Plan to Directors on March 19, 2018) until immediately after our 2019 annual meeting of shareholders. The Committee may grant Awards to an individual upon the condition that the individual become an Employee, Director or Consultant of the Corporation or of a Subsidiary, provided that the Grant Date of the Award shall be deemed to be the date that the individual legally becomes an Employee, Director or Consultant, as applicable.

1.7 Stock Reserve.

(a) The Corporation has reserved 3,300,000 shares of the Corporation's Common Stock for issuance pursuant to stock-based Awards. Up to 1,000,000 of the reserved shares may be granted as Incentive Stock Options under the Plan. All amounts in this Section 1.7 shall be adjusted, as applicable, in accordance with Section 10.1. Subject to the other provisions in this Section 1.7, the aggregate number of shares of Common Stock reserved under this Section 1.7(a) shall be depleted by the maximum number of shares of Common Stock, if any, that may be payable under an Award as determined on the Grant Date; provided that the aggregate number of shares of Common Stock shall be depleted by one share for each share subject to an Option or Stock Appreciation Right (that will be settled in shares), and shall be depleted by 1.32 shares of Common Stock for each share subject to an Award that will be settled in shares of Common

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Stock other than an Option or Stock Appreciation Right. For purposes of determining the aggregate number of shares of Common Stock reserved for issuance under this Plan, any fractional share shall be rounded to the next highest full share.

(b) The shares of Common Stock subject to any portion of an Award that is forfeited, cancelled, or expires or otherwise terminates without issuance of such shares, or is settled for cash or otherwise does not result in the issuance of all or a portion of the shares subject to such Award shall, to the extent of such forfeiture, cancellation, expiration, termination, cash settlement or non-issuance, be recredited to the Plan's reserve (according to the same ratio as such shares reduced the Plan's reserve according to Section 1.7(a)) and shall again be available for issuance pursuant to Awards under the Plan.

(c) For the avoidance of doubt, the following shares of Common Stock, however, may not again be made available for issuance as Awards under the Plan: (i) the full number of shares not issued or delivered as a result of the net settlement of an outstanding Option, Stock Appreciation Right or Restricted Stock Unit, regardless of the number of shares actually used to make such settlement; (ii) shares used to pay the exercise price or for settlement of any Award; (iii) shares used to satisfy withholding taxes related to the Vesting, exercise or settlement of any Award; and (iv) shares repurchased on the open market by the Corporation with the proceeds of the Option exercise price.

(d) Substitute Awards shall not reduce the shares reserved for issuance under the Plan or authorized for grant to a Participant in any fiscal year. Additionally, in the event that a company acquired by the Corporation or any Subsidiary or with which the Corporation or any Subsidiary combines has shares available under a pre-existing plan approved by shareholders of such acquired company and not adopted in contemplation of such acquisition or combination, the shares available for grant pursuant to the terms of such pre-existing plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to the holders of common stock of the acquired company) may be used for Awards under the Plan and shall not reduce the shares authorized for issuance under the Plan; provided that Awards using such available shares shall not be made after the date awards or grants could no longer have been made under the terms of the pre-existing plan, absent the acquisition or combination, and shall only be made to individuals who were not Employees, Directors of the Corporation or its Subsidiaries prior to such acquisition or combination.

1.8 **Repricing.** Except as provided in Section 10.1, without the affirmative vote of holders of a majority of the shares of Common Stock cast in person or by proxy at a meeting of the shareholders of the Corporation at which a quorum representing a majority of all outstanding shares is present or represented by proxy, neither the Board nor the Committee shall approve a program providing for (a) the cancellation of outstanding Options and/or Stock Appreciation Rights and the grant in substitution therefor of any new Options and/or Stock Appreciation Rights under the Plan having a lower exercise price than the Fair Market Value of the underlying Common Stock on the original Grant Date, (b) the amendment of outstanding Options and/or Stock Appreciation Rights to reduce the exercise price thereof below the Fair Market Value of the underlying Common Stock on the original Grant Date, or (c) the exchange of outstanding Options or Stock Appreciation Rights for cash or other Awards if the exercise price per share of

such Options or Stock Appreciation Rights is greater than the Fair Market Value per share as of the date of exchange. This Section shall not be construed to apply to issuing or assuming a stock option in a transaction to which section 424(a) applies, within the meaning of Code Section 424.

1.9 **Backdating.** Neither the Board nor the Committee may grant an Option or a Stock Appreciation Right with a Grant Date that is effective prior to the date the Committee takes action to approve such Award.

II. STOCK OPTIONS

2.1 **Grant of Options.** The Committee, at any time and from time to time, subject to the terms and conditions of the Plan, may grant Options to such Participants and for such number of shares of Common Stock as it shall designate, and shall determine the general terms and conditions, which shall be set forth in a Participant's Agreement. Any Participant may hold more than one Option under the Plan and any other plan of the Corporation or Subsidiary. No Option granted hereunder may be exercised after the tenth anniversary of the Grant Date. The Committee may designate any Option granted as either an Incentive Stock Option or a Nonqualified Stock Option, or the Committee may designate a portion of an Option as an Incentive Stock Option or a Nonqualified Stock Option.

2.2 **Incentive Stock Options.** Any Option intended to constitute an Incentive Stock Option shall comply with the requirements of this Section 2.2. An Incentive Stock Option may only be granted to an Employee. No Incentive Stock Option shall be granted with an exercise price below the Fair Market Value of Common Stock on the Grant Date nor with an exercise term that extends beyond ten years from the Grant Date. An Incentive Stock Option shall not be granted to any Participant who owns (within the meaning of Code Section 424(d)) stock of the Corporation or any Subsidiary possessing more than 10% of the total combined voting power of all classes of stock of the Corporation or a Subsidiary unless, at the Grant Date, the exercise price for the Option is at least 110% of the Fair Market Value of the shares subject to the Option and the Option, at the Grant Date and by its terms, is not exercisable more than five years after the Grant Date. The aggregate Fair Market Value of the underlying Common Stock (determined at the Grant Date) as to which Incentive Stock Options granted under the Plan (including a plan of a Subsidiary) may first be exercised by a Participant in any one calendar year shall not exceed \$100,000. To the extent that an Option intended to constitute an Incentive Stock Option shall violate the foregoing \$100,000 limitation (or any other limitation set forth in Code Section 422), the portion of the Option that exceeds the \$100,000 limitation (or violates any other Code Section 422 limitation) shall be deemed to constitute a Nonqualified Stock Option.

2.3 **Exercise Price.** The Committee shall determine the per share exercise price for each Option granted under the Plan. No Option may be granted with an exercise price below 100% of the Fair Market Value of Common Stock on the Grant Date.

2.4 **Payment for Option Shares.**

(a) The exercise price for shares of Common Stock to be acquired upon exercise of an Option granted hereunder shall be paid in full in cash or by personal check, bank draft or money

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order at the time of exercise; provided, however, that if the Corporation so approves at the time the Option is exercised and to the extent provided in the applicable Agreement, payment may be made by (i) tendering shares of Common Stock to the Corporation, which are withheld from the Option being exercised in a net exercise transaction, or are freely owned and held by the Participant independent of any restrictions or hypothecations; (ii) delivery to the Corporation of a properly executed exercise notice, acceptable to the Corporation, together with irrevocable instructions to the Participant's broker to deliver to the Corporation sufficient cash to pay the exercise price and any applicable income and employment withholding taxes, in accordance with a written agreement between the Corporation and the brokerage firm; (iii) delivery of other consideration approved by the Committee having a Fair Market Value on the exercise date equal to the total exercise price; (iv) other means determined by the Committee; or (v) any combination of the foregoing.

(b) Net exercise, as such term is used in the Plan, shall mean an exercise of an Option pursuant to which, upon delivery to the Corporation of written notice of exercise, the consideration received in payment for the exercise of the Option shall be the cancellation of a portion of the Option and the Corporation shall become obligated to issue the net number of shares of Common Stock determined according to the following formula:

For purposes of the foregoing formula:

A = the total number of shares with respect to which such Option is then being exercised (which, for the avoidance of doubt, shall include both the number of shares to be issued to the exercising Participant and the number of shares subject to the portion of the Option to be cancelled in payment of the exercise price).

B = the Stock Exchange closing price for the Common Stock on the last date on which there were Common Stock transactions preceding the date of the Corporation's receipt of the exercise notice.

C = the exercise price in effect at the time of such exercise.

If the foregoing formula would yield a number of shares to be issued that is not a whole number, any such fraction shall be rounded down and disregarded. The shares underlying the exercised portion of the Option that are not issued pursuant to the foregoing formula, along with the corresponding portion of the Option, shall be considered cancelled and no longer subject to exercise.

(c) Notwithstanding the foregoing, an Option may not be exercised by delivery to or withholding by the Corporation of shares of Common Stock to the extent that such delivery or withholding (i) would constitute a violation of the provisions of any law or regulation (including the Sarbanes-Oxley Act of 2002), (ii) if there is a substantial likelihood that the use of such form of payment would result in adverse accounting treatment to the Corporation under generally accepted accounting principles, or (iii) is not approved by the Corporation and reflected in the

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applicable Agreement. Until a Participant has been issued a certificate or certificates for the shares of Common Stock so purchased (or the book entry representing such shares has been made and such shares have been deposited with the appropriate registered book-entry custodian), he or she shall possess no rights as a record holder with respect to any such shares.

III. STOCK APPRECIATION RIGHTS

3.1 **Grant of Stock Appreciation Rights.** Stock Appreciation Rights may be granted, held and exercised in such form and upon such general terms and conditions as determined by the Committee. A Stock Appreciation Right may be granted to a Participant with respect to such number of shares of Common Stock of the Corporation as the Committee may determine. No Stock Appreciation Right shall be granted with an exercise term that extends beyond ten years from the Grant Date.

3.2 **Base Price.** The Committee shall determine the per share base price for each Stock Appreciation Right granted under the Plan; provided, however, that the base price of a Stock Appreciation Right shall not be less than 100% of the Fair Market Value of the shares of Common Stock covered by the Stock Appreciation Right on the Grant Date.

3.3 **Exercise of Stock Appreciation Rights.** A Stock Appreciation Right shall be deemed exercised upon receipt by the Corporation of written notice of exercise from the Participant.

3.4 **Stock Appreciation Right Payment.** Upon exercise of a Stock Appreciation Right, a Participant shall be entitled to payment from the Corporation, in cash, shares, or partly in each (as determined by the Committee in accordance with any applicable terms of the Participant's Agreement), of an amount equal to the difference between (a) the aggregate Fair Market Value on the exercise date for the specified number of shares of Common Stock being exercised, and (b) the aggregate base price for the specified number of shares of Common Stock being exercised.

IV. RESTRICTED STOCK AND RESTRICTED STOCK UNITS

4.1 **Grant of Restricted Stock and Restricted Stock Units.** Subject to the terms and conditions of the Plan, the Committee, at any time and from time to time, may grant Awards of Restricted Stock and Restricted Stock Units under the Plan to such Participants and in such amounts as it shall determine.

4.2 **Terms of Awards.** Each Award of Restricted Stock or Restricted Stock Units shall be evidenced by an Agreement that shall specify the terms of the restrictions, including the Restriction Period, the number of shares of Common Stock or units subject to the Award, the exercise price for the shares of Restricted Stock, if any, the form of consideration that may be used to pay the exercise price of the Restricted Stock, including those specified in Section 2.4, and such other general terms and conditions, including whether the Restricted Stock is subject to achievement of Performance Goals, as the Committee shall determine.

4.3 **Transferability.** Except as provided in this Article IV and Section 11.3 of the Plan, the shares of Common Stock subject to an Award of Restricted Stock or Restricted Stock

Units granted hereunder may not be transferred, pledged, assigned, or otherwise alienated or hypothecated until the termination of the applicable Restriction Period or for such period of time as shall be established by the Committee and specified in the applicable Agreement, or upon the earlier satisfaction of other conditions as specified by the Committee in its sole discretion and as set forth in the applicable Agreement.

4.4 **Other Restrictions.** The Committee shall impose such other restrictions on any shares of Common Stock subject to an Award of Restricted Stock or Restricted Stock Units under the Plan as it may deem advisable, including restrictions under applicable federal or state securities laws, and the issuance of a legended certificate of Common Stock representing such shares to give appropriate notice of such restrictions (or, if issued in book entry form, a notation with similar restrictive effect with respect to the book entry representing such shares) pursuant to Section 11.3(b).

4.5 **Voting Rights.** During the time Restricted Stock is subject to the Restriction Period, to the extent not prohibited by law, the Participant's Agreement shall require the Participant to appoint each of the Corporation's chief executive officer and/or corporate secretary as proxies, each with the power to appoint a substitute, authorizing each of them to represent and to vote the Participant's Restricted Stock in accordance with the Board's recommendations on all matters that are submitted to a shareholder vote (such appointment being irrevocable and coupled with an interest and extending until the expiration of the Restriction Period).

4.6 **Settlement of Restricted Stock Unit Awards.** If a Restricted Stock Unit Award is payable in Common Stock, the Corporation shall issue to a Participant on the date on which Restricted Stock Units subject to the Participant's Award Vest or on such other date determined by the Committee, in its discretion, and set forth in the Agreement, one share of Common Stock and/or any other new, substituted or additional securities or other property pursuant to an adjustment described in Section 10.1 for each Restricted Stock Unit then becoming Vested or otherwise to be settled on such date, subject to the withholding of applicable taxes. Notwithstanding any other provision in this Plan to the contrary, any Restricted Stock Unit Award, whether settled in Common Stock, cash or other property, shall be paid no later than two and a half months after the later of the end of the fiscal or calendar year in which the Award Vests.

V. PERFORMANCE AWARDS

5.1 **Grant of Performance Awards.** The Committee, in its discretion, may grant Performance Awards to Participants and may determine, on an individual or group basis, the Performance Goal(s) to be attained pursuant to each Performance Award.

5.2 **Terms of Performance Awards.**

(a) Performance Awards shall consist of rights to receive cash, Common Stock, other property or a combination thereof, if designated Performance Goal(s) are achieved. The terms of a Participant's Performance Award shall be set forth in a Participant's Agreement. Each Agreement shall specify the Performance Goal(s) applicable to a particular Participant or group of Participants, the period over which the targeted Performance Goal(s) are to be attained, the

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payment schedule if the Performance Goal(s) are attained, and any other terms as the Committee shall determine and conditions applicable to an individual Performance Award.

(b) Performance Awards may be granted as Performance Shares or Performance Units, at the discretion of the Committee. Performance Awards shall be paid no later than two and a half months after the later of the end of the fiscal or calendar year in which the Performance Award is no longer subject to a substantial risk of forfeiture.

(i) In the case of Performance Shares, a legended certificate of Common Stock shall be issued in the Participant's name, restricted from transfer prior to the satisfaction of the designated Performance Goal(s) and restrictions (or shares may be issued in book entry form with a notation having similar restrictive effect with respect to the book entry representing such shares), as determined by the Committee and specified in the Participant's Agreement. Prior to satisfaction of the designated Performance Goal(s) and restrictions, to the extent not prohibited by law, the Participant's Agreement shall require the Participant to appoint each of the Corporation's chief executive officer and/or corporate secretary as proxies, each with the power to appoint a substitute, authorizing each of them to represent and to vote the Participant's Performance Shares in accordance with the Board's recommendations on all matters that are submitted to a shareholder vote (such appointment being irrevocable and coupled with an interest and extending until such time as the Performance Goal(s) and other restrictions on the Performance Shares have been satisfied).

(ii) In the case of Performance Units, the Participant shall receive an Agreement from the Committee that specifies the Performance Goal(s) and restrictions that must be satisfied before the Corporation shall issue the payment, which may be cash, a designated number of shares of Common Stock, other property, or a combination thereof. In the event of a dividend or distribution paid in shares of Common Stock or any other event described in Article X, appropriate adjustments shall be made in the Participant's Performance Unit Award so that it represents the right to receive upon settlement any and all new, substituted or additional securities or other property (other than normal cash dividends) to which the Participant would be entitled by reason of the shares of Common Stock issuable upon settlement of the Performance Unit Award, and all such new, substituted or additional securities or other property shall be immediately subject to the same restrictions as are applicable to the Performance Unit Award.

VI. INCENTIVE AWARDS

6.1 Grant of Incentive Awards.

(a) The Committee, at its discretion, may grant Incentive Awards to such Participants as it may designate from time to time. The terms of a Participant's Incentive Award shall be set forth in the Participant's Agreement and/or in any separate program(s) authorized by the Committee. Each Agreement and/or separate program shall specify such other terms and conditions as the Committee shall determine.

(b) The determination of Incentive Awards for a given year or years may be based upon the attainment of specified levels of Performance Goals related to the Corporation or Subsidiary performance as determined at the discretion of the Committee.

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(c) The Committee shall (i) select those Participants who shall be eligible to receive an Incentive Award, (ii) determine the performance period, (iii) determine target levels (including minimum and maximum levels) of Performance Goals, and (iv) determine the level of Incentive Award to be paid to each selected Participant upon the achievement of each Performance Goal.

6.2 Payment of Incentive Awards.

(a) Incentive Awards shall be paid in cash, shares of Common Stock or other property, at the discretion of the Committee. Payments shall be made no later than two and a half months after the later of the end of the fiscal or calendar year in which the Incentive Award is no longer subject to a substantial risk of forfeiture.

(b) The amount of an Incentive Award to be paid upon the attainment of each targeted Performance Goal shall equal a percentage of a Participant's base salary for the fiscal year, a fixed dollar amount, or pursuant to such other formula, as determined by the Committee or as set forth in the Participant's Agreement.

VII. DIVIDENDS & NO DIVIDEND EQUIVALENTS

(a) A Participant shall not be entitled to receive any dividends or other distributions paid with respect to issued and outstanding Restricted Stock or Performance Shares until such time as the Restricted Stock or Performance Shares Vest.

(b) No Award may be granted under the Plan that provides for payment of dividend equivalents or any similar right to receive cash dividends or other distributions paid with respect to a share of Common Stock prior to the time such Award Vests, and no dividend equivalents or similar rights may ever be granted with respect to an Option, a Share Appreciation Right, or any Award other than a full value Award.

VIII. MINIMUM VESTING PERIOD

8.1 **General Rule.** Notwithstanding any provision of this Plan to the contrary, except as provided in Section 8.2, no portion of any Award granted to any Participant shall Vest prior to the twelve (12)-month anniversary of the Grant Date.

8.2 **Exceptions.** Notwithstanding Section 8.1:

(a) The Committee may grant Awards to Participants other than a Director or a Board-appointed executive officer that are not subject to the twelve (12)-month minimum vesting period, *provided* that such Awards in the aggregate do not exceed five percent (5%) of the total number of shares reserved pursuant to Section 1.7(a).

(b) For purposes of Awards granted to Directors, twelve (12)-months may mean the period of time from one annual shareholders meeting to the next annual shareholders meeting, provided that such period of time is not less than fifty (50) weeks.

(c) The Committee may accelerate the Vesting of any Award (i) in the event of a Participant's death or Disability in accordance with Section 1.5(c), or (ii) in accordance with Section 10.2

IX. TERMINATION OF EMPLOYMENT OR SERVICES

9.1 **Options and Stock Appreciation Rights.** Unless otherwise provided in a Participant's Agreement and subject to Article VIII:

(a) If, prior to the date when an Option or Stock Appreciation Right first becomes Vested, a Participant's employment or services with the Corporation or a Subsidiary is terminated for any reason, the Participant's right to exercise the Option or Stock Appreciation Right shall terminate and all rights thereunder shall cease.

(b) If, on or after the date when an Option or Stock Appreciation Right first becomes Vested, a Participant's employment or services with the Corporation or a Subsidiary is terminated for any reason other than death or Disability, the Participant shall have the right, within the earlier of (i) the expiration of the Option or Stock Appreciation Right, and (ii) three (3) months after termination of employment or services, as applicable, to exercise the Option or Stock Appreciation Right to the extent that it was Vested and exercisable and unexercised on the date of the Participant's termination of employment or services, subject to any other limitation on the exercise of the Option or Stock Appreciation Right in effect on the date of exercise.

(c) If, on or after the date when an Option or Stock Appreciation Right first becomes Vested, a Participant's employment or services with the Corporation or a Subsidiary is terminated due to the Participant's death while the Option or Stock Appreciation Right is still exercisable, the person or persons to whom the Option or Stock Appreciation Right shall have been transferred by will or the laws of descent and distribution, shall have the right within the exercise period specified in the Participant's Agreement to exercise the Option or Stock Appreciation Right to the extent that it was exercisable and unexercised on the Participant's date of death, subject to any other limitation on exercise in effect on the date of exercise. The beneficial tax treatment of an Incentive Stock Option may be forfeited if the Option is exercised more than one year after a Participant's date of death.

(d) If, on or after the date when an Option or Stock Appreciation Right first becomes Vested, a Participant's employment or services with the Corporation or a Subsidiary is terminated due to the Participant's Disability, the Participant shall have the right, within the exercise period specified in the Participant's Agreement, to exercise the Option or Stock Appreciation Right to the extent that it was exercisable and unexercised on the date of the Participant's termination of employment or services due to Disability, subject to any other limitation on the exercise of the Option or Stock Appreciation Right in effect on the date of exercise. If the Participant dies after termination of employment or services, as applicable, while the Option or Stock Appreciation Right is still exercisable, the Option or Stock Appreciation Right shall be exercisable in accordance with the terms of Section 9.1(c).

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(e) For the avoidance of doubt, the Committee, at the time of a Participant's termination of employment or services, subject to Sections 2.1 and 3.1, Article VIII and Code Section 409A, may extend the term of a Vested Option or a Vested Stock Appreciation Right.

(f) Shares subject to Options and Stock Appreciation Rights that are not exercised in accordance with the provisions of (a) through (e) above shall expire and be forfeited by the Participant as of their expiration date.

9.2 Restricted Stock Awards, Restricted Stock Unit Awards, Performance Awards and Incentive Awards. With respect to any Restricted Stock Award, Restricted Stock Unit Award, Performance Award or Incentive Award, unless otherwise provided in a Participant's Agreement and subject to Article VIII:

(a) If a Participant's employment or services with the Corporation or a Subsidiary is terminated for any reason, any portion of such Award that is not yet Vested shall terminate and be forfeited by the Participant.

(b) If, with respect to a Restricted Stock Award or Restricted Stock Unit Award, the terminated Participant was required to pay a purchase price for any Restricted Stock subject to such Award, other than the performance of services, the Corporation shall have the option to repurchase any shares of Restricted Stock acquired by the Participant which are still subject to the Restriction Period for the purchase price paid by the Participant.

9.3 Other Provisions. The transfer of an Employee from one corporation to another among the Corporation and any of its Subsidiaries, or a leave of absence under the leave policy of the Corporation or any of its Subsidiaries, or applicable state or federal law, shall not be a termination of employment for purposes of the Plan, unless a provision to the contrary is expressly stated by the Committee in the Employee's Agreement issued under the Plan. The Committee may, subject to any additional conditions it may require, provide for continued Vesting of an Award in the event of a Participant's termination of employment or service due to death, Disability, qualifying retirement (as determined by the Committee), or termination without Cause, or the Committee may accelerate the Vesting of any Award in the event of a Participant's death or Disability in accordance with Section 1.5(c).

X. ADJUSTMENTS AND CHANGE IN CONTROL

10.1 Adjustments. In the event of a merger, statutory share exchange, reorganization, consolidation, recapitalization, dividend or distribution (whether in cash, shares or other property), stock split, reverse stock split, spin-off or similar transaction or other change in corporate structure affecting the Common Stock or the value thereof, such adjustments and other substitutions shall be made to the Plan and Awards as the Committee, in its sole discretion, deems equitable or appropriate, including adjustments in the aggregate number, class and kind of securities that may

be delivered under the Plan and, in the aggregate or to any one Participant, in the number, class, kind and option or exercise price of securities subject to outstanding Awards granted under the Plan (including, if the Committee deems appropriate, the substitution of cash, similar options to purchase the shares of, or other awards denominated in the shares of, another company, or other property, as the Committee may determine to be appropriate in its sole

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discretion). Any of the foregoing adjustments may provide for the elimination of any fractional share which might otherwise become subject to any Award.

10.2 Change in Control.

(a) Upon a Change in Control, if the successor or surviving corporation (or parent thereof) to the Corporation so agrees, then, without the consent of any Participant (or other person with rights in any Award), some or all outstanding Awards may be assumed, or replaced with the same type of award with similar terms and conditions, by the successor or surviving corporation (or parent thereof) in the Change in Control transaction. If applicable, each Award which is assumed by the successor or surviving corporation (or parent thereof) shall be appropriately adjusted, immediately after such Change in Control, to apply to the number and class of securities which would have been issuable to the Participant upon the consummation of such Change in Control had the Award been exercised, Vested or earned immediately prior to such Change in Control, and such other appropriate adjustments in the terms and conditions of the Award shall be made. Upon the Participant's Change in Control Termination following the Change in Control, all of the Participant's Awards that are in effect (including any replacement awards) as of the date of such termination shall be Vested in full or deemed earned in full (if applicable, based on the level of achievement of the Performance Goals that had been met on the date immediately prior to the date of the Change in Control Termination or (B) assuming that the Performance Goals had been met at target at the time of such Change in Control Termination, but prorated based on the elapsed portion of the performance period as of the date of the Change in Control Termination, whichever shall result in the greater amount) effective on the date of such Change in Control Termination.

(b) To the extent the purchaser, successor or surviving entity (or parent thereof) to the Corporation in the Change in Control transaction does not assume the Awards or issue replacement awards as provided in clause (i) (including, for the avoidance of doubt, by reason of Participant's Change in Control Termination that occurs prior to or concurrent with the Change in Control), then immediately prior to the date of the Change in Control or the date of the Participant's Change in Control Termination, whichever occurs first:

(i) Each Option or Stock Appreciation Right that is then held by a Participant who is employed by or in the service of the Corporation or a Subsidiary shall become immediately and fully Vested, and, unless otherwise determined by the Committee, all Options and Stock Appreciation Rights shall be cancelled on the date of the Change in Control in exchange for a cash payment equal to the excess of the Change in Control Price of the shares of Common Stock covered by the Option or Stock Appreciation Right that is so cancelled over the exercise or grant price of such shares under the Award; *provided, however*, that all Options and Stock Appreciation Rights that have an exercise or grant price that is greater than the Change in Control Price shall be cancelled for no consideration;

(ii) Restricted Stock and Restricted Stock Units (that are not Performance Awards) that are not then Vested shall Vest;

(iii) All Performance Awards and all Incentive Awards that are earned but not yet paid shall be paid, and all Performance Awards and Incentive Awards for which the performance period has not expired shall be cancelled in exchange for a cash payment equal to the amount that would have been due under such Award(s), valued either (A) based on the level of achievement of the Performance Goals that had been met on the date immediately prior to the date of the Change in Control or (B) assuming that the Performance Goals had been met at target at the time of such Change in Control, but prorated based on the elapsed portion of the performance period as of the date of the Change in Control, whichever shall result in the greater amount.

For purposes of this clause (b), if the value of an Award is based on the Fair Market Value of a share of Common Stock, Fair Market Value shall be deemed to mean the Change in Control Price.

(c) The Committee may, in its sole discretion and without the consent of any Participant, determine that, upon the occurrence of a Change in Control, each or any Vested Option or Vested Stock Appreciation Right outstanding immediately prior to the Change in Control shall be cancelled in exchange for a payment in (i) cash, (ii) Common Stock, (iii) common stock of a corporation or other business entity that is a party to the Change in Control, or (iv) other property which, in any such case, shall be in an amount having a Fair Market Value equal to the excess of the Change in Control Price over the exercise or grant price per share under such Option or Stock Appreciation Right (the Spread). In the event such determination is made by the Committee, the Spread (reduced by applicable withholding taxes, if any) shall be paid to a Participant in respect of the Participant's cancelled Options and Stock Appreciation Rights on or as soon as practicable following the date of the Change in Control.

XI. MISCELLANEOUS

11.1 Partial Exercise/Fractional Shares. The Committee may permit, and shall establish procedures for, the partial exercise of Options and Stock Appreciation Rights granted under the Plan. No fractional shares shall be issued in connection with the exercise of an Option or Stock Appreciation Right or payment of a Performance Award, Restricted Stock Award, Restricted Stock Unit Award, or Incentive Award; instead, the Fair Market Value of the fractional shares shall be paid in cash, or at the discretion of the Committee, the number of shares shall be rounded down to the nearest whole number of shares and any fractional shares shall be disregarded.

11.2 Rights Prior to Issuance of Shares. No Participant shall have any rights as a shareholder with respect to shares covered by an Award until the issuance of a stock certificate for such shares or electronic transfer to the Participant (or book entry representing such shares has been made and such shares have been deposited with the appropriate registered book-entry custodian). No adjustment shall be made for dividends or other rights with respect to such shares

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for which the record date is prior to the date the certificate is issued or the shares are electronically delivered to the Participant's brokerage account (or book entry is made).

11.3 Non Assignability; Certificate Legend; Removal.

(a) Except as described below or as otherwise determined by the Committee in a Participant's Agreement, no Award shall be transferable by a Participant except by will or the laws of descent and distribution, and an Option or Stock Appreciation Right shall be exercised only by a Participant during the lifetime of the Participant. Notwithstanding the foregoing, a Participant may assign or transfer an Award that is not an Incentive Stock Option with the consent of the Committee (each transferee thereof, a Permitted Assignee); provided that such Permitted Assignee shall be bound by and subject to all of the terms and conditions of the Plan and any Agreement relating to the transferred Award and shall execute an agreement satisfactory to the Corporation evidencing such obligations; and provided further that such Participant shall remain bound by the terms and conditions of the Plan.

(b) Each certificate representing shares of Common Stock subject to an Award, to the extent a certificate is issued, shall bear the following legend:

The sale or other transfer of the shares of stock represented by this certificate, whether voluntary, involuntary or by operation of law, is subject to certain restrictions on transfer set forth in the Rockwell Medical, Inc. 2018 Long Term Incentive Plan (Plan), rules and administrative guidelines adopted pursuant to such Plan and an Agreement issued under such Plan. A copy of the Plan, such rules and such Agreement may be obtained from the Secretary of Rockwell Medical, Inc. If shares are issued in book entry form, a notation to the same restrictive effect as the legend above shall be placed on the transfer agent's books in connection with such shares.

(c) Subject to applicable federal and state securities laws, issued shares of Common Stock subject to an Award shall become freely transferable by the Participant after all applicable restrictions, limitations, performance requirements or other conditions have terminated, expired, lapsed or been satisfied. Once such issued shares of Common Stock are released from such restrictions, limitations, performance requirements or other conditions, the Participant shall be entitled to have the legend required by this Section 11.3 removed from the applicable Common Stock certificate (or notation removed from such book entry).

11.4 Securities Laws.

(a) Anything to the contrary herein notwithstanding, the Corporation's obligation to sell and deliver Common Stock pursuant to the exercise of an Option or Stock Appreciation Right or deliver Common Stock pursuant to a Restricted

Stock Award, Restricted Stock Unit Award, Performance Award or Incentive Award is subject to such compliance with federal and state laws, rules and regulations applying to the authorization, issuance or sale of securities as the Corporation deems necessary or advisable. The Corporation shall not be required to sell and

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deliver or issue Common Stock unless and until it receives satisfactory assurance that the issuance or transfer of such shares shall not violate any of the provisions of the Securities Act or the Exchange Act, or the rules and regulations of the Securities and Exchange Commission promulgated thereunder or those of the Stock Exchange or any stock exchange on which the Common Stock may be listed, the provisions of any other applicable laws governing the sale of securities, or that there has been compliance with the provisions of such acts, rules, regulations and laws.

(b) The Committee may impose such restrictions on any shares of Common Stock issued pursuant to the exercise of an Option or Stock Appreciation Right or the grant of Restricted Stock or Restricted Stock Units or the payment of a Performance Award or Incentive Award under the Plan as it may deem advisable, including restrictions (i) under applicable federal securities laws; (ii) under the requirements of the Stock Exchange; and (iii) under any blue sky or other applicable state securities laws.

11.5 Withholding Taxes.

(a) The Corporation shall have the right to withhold from a Participant's compensation or require a Participant to remit sufficient funds to satisfy applicable withholding for income and employment taxes upon the exercise of an Option or Stock Appreciation Right or the Vesting or payment of any Award, or disposition of shares of Common Stock acquired under any Award. Alternatively, if the Corporation so approves and to the extent provided in the Participant's Agreement, the Participant may, in order to fulfill the withholding obligation, tender shares of Common Stock or have shares of stock withheld from the exercise or Vested portion of the Award, provided the shares tendered or withheld have an aggregate Fair Market Value sufficient to satisfy in whole or in part the applicable withholding taxes.. Other payment methods set forth in Section 2.4 may also be utilized to satisfy any applicable withholding requirements if the Corporation approves such form of payment and to the extent provided in the Participant's Agreement. The Corporation may not withhold more shares than are necessary to meet tax withholding obligations owed by Participant.

(b) Notwithstanding the foregoing, a Participant may not use shares of Common Stock to satisfy the withholding requirements to the extent that (i) there is a substantial likelihood that the use of such form of payment or the timing of such form of payment would subject the Participant to a substantial risk of liability under Section 16 of the Exchange Act; (ii) such withholding would constitute a violation of the provisions of any law or regulation (including the Sarbanes-Oxley Act of 2002); (iii) there is a substantial likelihood that the use of such form of payment would result in adverse accounting treatment to the Corporation under generally accepted accounting principles; or (iv) the Corporation does not approve such form of payment and does not provide such payment option in the Participant's Agreement.

11.6 Termination and Amendment.

(a) The Board may terminate the Plan, or the granting of Awards under the Plan, at any time.

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(b) The Board may amend or modify the Plan at any time and from time to time, and the Committee may amend or modify the terms of an outstanding Agreement at any time and from time to time, but no amendment or modification, without the approval of the shareholders of the Corporation, shall (i) materially increase the benefits accruing to Participants under the Plan; (ii) increase the amount of Common Stock for which Awards may be made under the Plan, except as permitted under Sections 1.7 and Section 10.1; or (iii) change the provisions relating to the eligibility of individuals to whom Awards may be made under the Plan. In addition, if the Corporation's Common Stock is listed on a Stock Exchange, the Board may not amend the Plan in a manner requiring approval of the shareholders of the Corporation under the rules of the Stock Exchange without obtaining the approval of the shareholders.

(c) No amendment, modification, or termination of the Plan or an outstanding Agreement shall in any manner materially and adversely affect any then outstanding Award under the Plan without the consent of the Participant holding such Award, except as set forth in any Agreement relating to the Award, as set forth in Sections 10.2 or 11.9, or to bring the Plan and/or an Award into compliance with the requirements of Code Section 409A or to qualify for an exemption under Code Section 409A.

11.7 Code Section 409A. It is intended that Awards granted under the Plan shall be exempt from or in compliance with Code Section 409A, and the provisions of the Plan and all Agreements are to be construed accordingly. The Board reserves the right to amend the terms of the Plan and the Committee reserves the right to amend any outstanding Agreement if necessary either to exempt such Award from Code Section 409A or comply with the requirements of Code Section 409A, as applicable. However, unless otherwise specified herein or in a Participant's Agreement, in no event shall the Corporation or a Subsidiary be responsible for any tax or penalty under Code Section 409A owed by a Participant or beneficiary with regard to an Award payment. Notwithstanding anything in the Plan to the contrary, all or part of an Award payment to a Participant who is determined to constitute a specified employee (as defined in Code Section 409A and regulations thereunder) at the time of separation from service, shall be delayed (if then required) under Code Section 409A, and paid in an aggregated lump sum on the first business day following the date that is six months after the date of the Participant's separation from service, or the date of the Participant's death, if earlier; any remaining payments shall be paid on their regularly scheduled payment dates. For purposes of the Plan and any Agreement, the terms separation from service or termination of employment (or variations thereof) shall be synonymous with the meaning given to the term separation from service as defined in Code Section 409A and regulations thereunder.

11.8 Effect on Employment or Services. Neither the adoption of the Plan nor the granting of any Award pursuant to the Plan shall be deemed to create any right in any individual to be retained or continued in the employment or services of the Corporation or a Subsidiary.

11.9 Severability. If any one or more of the provisions (or any part thereof) of this Plan or of any Agreement issued hereunder, shall be held to be invalid, illegal or unenforceable in any respect, such provision shall be modified (without requiring the consent of any Participant) so as to make it valid, legal and enforceable, and the validity, legality and enforceability of the remaining provisions (or any part thereof) of the Plan or of any Agreement shall not in any way be affected or impaired thereby. The Board may, without the consent of any

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Participant, and in a manner determined necessary solely in the discretion of the Board, amend the Plan and any outstanding Agreement as the Corporation deems necessary to ensure the Plan and all Awards remain valid, legal or enforceable in all respects.

11.10 Beneficiary Designation. Except as otherwise designated in a Participant's Agreement, and subject to local laws and procedures, each Participant may file a written beneficiary designation with the Corporation stating who is to receive any benefit under the Plan or any Agreement to which the Participant is entitled in the event of such Participant's death before receipt of any or all of a Plan benefit. Each designation shall revoke all prior designations by the same Participant, be in a form prescribed by the Corporation, and become effective only when filed by the Participant in writing with the Corporation during the Participant's lifetime. If a Participant dies without an effective beneficiary designation for a beneficiary who is living at the time of the Participant's death, the Corporation shall pay any remaining unpaid benefits to the Participant's legal representative.

11.11 Unfunded Obligation. A Participant shall have the status of a general unsecured creditor of the Corporation. Any amounts payable to a Participant pursuant to the Plan or any Agreement shall be unfunded and unsecured obligations for all purposes. The Corporation shall not be required to segregate any monies from its general funds, or to create any trusts, or establish any special accounts with respect to such obligations. The Corporation shall retain at all times beneficial ownership of any investments, including trust investments, which the Corporation may make to fulfill its payment obligations hereunder. Any investments or the creation or maintenance of any trust or any Participant account shall not create or constitute a trust or fiduciary relationship between the Board, the Committee or the Corporation on the one hand, and any Participant on the other hand, or otherwise create any Vested or beneficial interest in any Participant or the Participant's creditors in any assets of the Corporation. A Participant shall have no claim against the Corporation for any changes in the value of any assets which may be invested or reinvested by the Corporation with respect to the Plan.

11.12 Approval of Plan. The Plan shall be subject to the approval of the holders of at least a majority of the votes cast on a proposal to approve the Plan at a duly held meeting of shareholders of the Corporation held within 12 months after adoption of the Plan by the Board. No Award granted under the Plan may be exercised or paid in whole or in part unless the Plan has been approved by the shareholders as provided herein. If not approved by shareholders within such 12-month period, the Plan and any Awards granted under the Plan shall be null and void, with no further force or effect.

11.13 Governing Law; Limitation on Actions. Except to the extent governed by applicable federal law, the validity, interpretation, construction and performance of the Plan and Agreements under the Plan, shall be governed by the laws of the State of Michigan, without regard to its conflict of law rules. Any legal action or proceeding with respect to this Plan, any Award or any Agreement (including, but not limited to, claims brought by any shareholders of the Corporation, any Participant, or any other person having an interest in the Plan, any Agreement, or any Award) must be brought within one year (365 days) after the day the complaining party first knew or should have known of the events giving rise to the complaint, and may only be brought and determined in a Michigan state or federal court.

**2018 ANNUAL MEETING OF SHAREHOLDERS OF ROCKWELL MEDICAL, INC.
[•], 2018**

NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIAL

The notice of meeting, proxy statement, proxy card and 2017 annual report to shareholders are available at <http://www.rockwellmed.com/invest.htm>. Please sign, date and mail your proxy card in the envelope provided as soon as possible.

Please detach along perforated line and mail the proxy card in the envelope provided.

This Proxy is solicited on behalf of our Board of Directors. The Board recommends a vote FOR Proposals 1 through 5. PLEASE SIGN, DATE AND RETURN THE PROXY CARD PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE x

	FOR	AGAINST	ABSTAIN
1. Amendments to our charter and bylaws to provide for the declassification of our board of directors.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

2. If Proposal 1 is approved by the shareholders of the Company, election of Mr. Chioini as director of the Company for a term of one year and if Proposal 1 is not approved by the shareholders of the Company, election of Mr. Chioini as a Class III director of the Company for a term of three years.

NOMINEE:
Robert L. Chioini

FOR	WITHHOLD
<input type="radio"/>	<input type="radio"/>

	FOR	AGAINST	ABSTAIN
3. Approve the 2018 Rockwell Medical, Inc. Long Term Incentive Plan.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

	FOR	AGAINST	ABSTAIN
4. Approve, by non-binding proposal, the compensation of the named executive officers.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

- | | FOR | AGAINST | ABSTAIN |
|--|-----------------------|-----------------------|-----------------------|
| 5. Approve a proposal to ratify the selection of Plante & Moran, PLLC as our independent registered public accounting firm for 2018. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

In their discretion with respect to any other matters that may properly come before the meeting.

This proxy will be voted, when properly executed, in accordance with the specifications made herein. If no instructions are indicated, the shares represented by this Proxy will be voted FOR Proposals 1 through 5.

Please date, sign and return this proxy card promptly in the enclosed envelope.

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method.

Mark the box to the right if you plan to attend the Annual Meeting.

Signature of Shareholder

Date:

Signature of Shareholder

Date:

Title:

Title:

Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

**REVOCABLE PROXY
ROCKWELL MEDICAL, INC.
2018 ANNUAL MEETING OF SHAREHOLDERS [•], 2018**

**THIS PROXY IS SOLICITED ON BEHALF OF
THE BOARD OF DIRECTORS OF ROCKWELL MEDICAL, INC.**

The undersigned, as a shareholder of record on [•], 2018, hereby appoints Robert L. Chioini and Thomas E. Klema, and each of them, attorneys and proxies with full power of substitution in each of them, in the name, place and stead of the undersigned and hereby authorizes them to vote as proxy all of the common shares, no par value, of Rockwell Medical, Inc. (the Company) which the undersigned would be entitled to vote if then personally present at the 2018 Annual Meeting of Shareholders of the Company to be held on [•], 2018 at [•] Eastern Time, and at any and all adjournments or postponements thereof, upon those matters set forth in the Notice of Annual Meeting and Proxy Statement dated [•], 2018 (receipt of which is hereby acknowledged) as designated on the reverse side. In their discretion, to the extent permitted by law, the proxies are also authorized to vote upon all such other matters as may properly come before the meeting, including the election of any person to the Board of Directors where a nominee named in the Proxy Statement dated [•], 2018, is unable to serve or, for good cause, will not serve. The undersigned ratifies all that the proxies or either of them or their substitutes may lawfully do or cause to be done by virtue hereof and revokes all former proxies.

(Continued and to be Signed on Reverse Side)
