

ROCKWELL MEDICAL, INC.
Form 10-Q/A
August 14, 2018
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United States

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q/A

(Mark One)

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

For the quarterly period ended March 31, 2018

or

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

For the transition period from _____ to _____

Commission File Number: 000-23661

ROCKWELL MEDICAL, INC.

(Exact name of registrant as specified in its charter)

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Michigan 38-3317208
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

30142 Wixom Road, Wixom, Michigan 48393
(Address of principal executive offices) (Zip Code)

(248) 960-9009

(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

Class	Outstanding as of April 30, 2018
Common Stock, no par value	51,768,424 shares

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Rockwell Medical, Inc.

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Triferic® is a registered trademark of Rockwell Medical, Inc.

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Explanatory Note

This Amendment No. 1 to Form 10-Q (this “Amendment”) amends the Quarterly Report on Form 10-Q for the three months ended March 31, 2018 originally filed with the Securities and Exchange Commission (“SEC”) on May 10, 2018 (the “Original Filing”) by Rockwell Medical, Inc. (the “Company”, “we”, “us”, or “our”).

Restatement

As further discussed in Note 3 to our unaudited condensed consolidated financial statements in Part I, Item 1. “Financial Statements” of this Amendment, subsequent to the issuance of the Original Filing, the Company’s Audit Committee of the Board of Directors (the “Board”), based upon the recommendation of management, concluded that we should restate our previously issued unaudited condensed consolidated financial statements for the three-month period ended March 31, 2018 to correct for the understatement of our excess and obsolete Triferic inventory reserves and the overstatement of our stock-based compensation expense and discretionary bonus accruals.

Disclosure Controls and Procedures

As a result of the resignation of our prior independent registered public accountant, Plante & Moran PLLC (“Plante”) and its identification of a material weakness in our internal control over financial reporting for the three-month period ended March 31, 2018, we subsequently reassessed our evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2018. As a result, our management concluded that we did not maintain effective disclosure controls and procedures due to the material weaknesses in internal control over financial reporting which existed as of March 31, 2018. For a description of the identified material weaknesses in internal control over financial reporting and actions taken, and planned to be taken, to address the material weakness, see Part 1, Item 4. “Controls and Procedures” of this Amendment.

Amendment

This Amendment (i) restates our previously issued unaudited condensed consolidated financial statements and related disclosures in Part I, Item 1. “Financial Statements” for the three months ended March 31, 2018, as well as related disclosures in Part I, Item 2. “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” to reflect the over accrual of discretionary bonuses, overstatement of stock-based compensation expense and to reflect our reassessment of the adequacy of our excess and obsolete Triferic inventory reserves as of and for the three-month period ended March 31, 2018 and the status of obtaining separate reimbursement for Triferic and (ii) amends and restates in its entirety Part I, Item 4. “Controls and Procedures” of the Original Filing to reflect the Audit

Committee's conclusion, based upon the recommendation of management, that our internal control over financial reporting and disclosure controls and procedures were not effective as of March 31, 2018, due to the identification of a material weaknesses in our internal control over financial reporting which resulted in the understatement of our Triferic inventory reserves. In addition, during the three months ended March 31, 2018, the Company reclassified \$2.3 million of its inventory from a current asset to a non-current asset and reclassified \$2.3 million of its deferred license revenue from long-term liabilities to current liabilities.

Except as expressly set forth herein, this Amendment does not reflect events occurring after the date of the Original Filing or modify or update any of the other disclosures contained therein in any way other than as required to be reflected herein. Accordingly, this Amendment should be read in conjunction with the Original Filing and our other filings with the SEC.

Items Amended in this Filing

For the reasons discussed above, we are filing this Amendment in order to amend the following items in our Original Report and only to the extent necessary to reflect the adjustments discussed above and make corresponding revisions to our financial data cited elsewhere in this Amendment:

- Part I, Item 1. Financial Statements
- Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
- Part I, Item 4. Controls and Procedures

In accordance with applicable SEC rules, this Amendment includes new certifications required by Rule 12a-14 under the Securities Exchange Act of 1934, as amended, from our Interim Principal Executive Officer and Principal Accounting Officer dated as of the date of filing of this Amendment.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

ROCKWELL MEDICAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

As of March 31, 2018 and December 31, 2017

(Unaudited)

	March 31, 2018	December 31, 2017
ASSETS	(RESTATED)	
Cash and Cash Equivalents	\$ 3,278,087	\$ 8,406,917
Investments Available for Sale	24,821,682	24,648,459
Accounts Receivable, net of a reserve of \$3,400 in 2018 and \$11,000 in 2017	5,993,708	6,355,566
Inventory	5,510,154	7,637,384
Other Current Assets	1,607,440	1,779,992
Total Current Assets	41,211,071	48,828,318
Property and Equipment, net	2,572,619	2,548,978
Inventory, Non-Current	6,007,601	5,986,752
Intangible Assets	3,940	4,028
Goodwill	920,745	920,745
Other Non-current Assets	490,703	490,819
Total Assets	\$ 51,206,679	\$ 58,779,640
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts Payable	\$ 4,012,341	\$ 4,222,159
Accrued Liabilities	3,191,501	4,715,712
Customer Deposits	235,078	205,303
Current portion of Deferred License Revenue	2,285,932	—
Total Current Liabilities	9,724,852	9,143,174
Deferred License Revenue	13,864,677	16,723,318

Total Liabilities	23,589,529	25,866,492
Commitments and Contingencies		
Shareholders' Equity:		
Common Shares, no par value, 51,768,424 and 51,768,424 shares issued and outstanding	273,656,910	273,210,907
Accumulated Deficit	(245,811,897)	(240,262,376)
Accumulated Other Comprehensive Income	(227,863)	(35,383)
Total Shareholders' Equity	27,617,150	32,913,148
Total Liabilities And Shareholders' Equity	\$ 51,206,679	\$ 58,779,640

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

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ROCKWELL MEDICAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	(RESTATED) Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Sales	\$ 14,948,579	\$ 14,592,254
Cost of Sales	15,669,072	12,234,782
Gross Profit (Loss)	(720,493)	2,357,472
Selling, General and Administrative Research and Product Development	3,331,955	6,100,715
Operating Loss	1,666,356	1,214,851
Interest and Investment Income	(5,718,804)	(4,958,094)
Net Loss	169,283	216,071
	\$ (5,549,521)	\$ (4,742,023)
Basic and Diluted Net Loss per Share	\$ (0.11)	\$ (0.09)
Basic and Diluted Weighted Average Shares Outstanding	51,288,424	50,686,044

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

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ROCKWELL MEDICAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Unaudited)

	(RESTATED)	
	Three Months Ended	Three Months Ended
	March 31, 2018	March 31, 2017
Net Loss	\$ (5,549,521)	\$ (4,742,023)
Unrealized Gain (Loss) on Available-for-Sale Investments	(189,995)	112,002
Foreign Currency Translation Adjustments	(2,485)	505
Comprehensive Loss	\$ (5,742,001)	\$ (4,629,516)

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

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ROCKWELL MEDICAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the three months ended March 31, 2018

(Unaudited)

	COMMON SHARES		ACCUMULATED	ACCUMULATED	TOTAL
	SHARES	AMOUNT	DEFICIT	OTHER COMPREHENSIVE LOSS	SHAREHOLDER'S EQUITY
Balance as of December 31, 2017	51,768,424	\$ 273,210,907	\$ (240,262,376)	\$ (35,383)	\$