

CANADIAN IMPERIAL BANK OF COMMERCE /CAN/
Form F-3
February 27, 2017
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As filed with the Securities and Exchange Commission on February 27, 2017

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM F-3

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

CANADIAN IMPERIAL BANK OF COMMERCE

(Exact name of Registrant as specified in its charter)

Canada
(State or other jurisdiction of
incorporation or organization)

13-1942440
(I.R.S. Employer
Identification No.)

Commerce Court

Toronto, Ontario, Canada M5L 1A2

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(416) 980-2211

(Address and telephone number of Registrant's principal executive offices)

Michael G. Capatides

Chief Administrative Officer and General Counsel

Canadian Imperial Bank of Commerce

425 Lexington Avenue 3rd Floor

New York, New York, 10017

(212) 667 8301

(Name, address and telephone number of agent for service)

Please send copies of all communications to:

Edward S. Best
Mayer Brown LLP
71 South Wacker Drive
Chicago, Illinois U.S.A., 60606
(312) 701-7100

Stacy McLean
Blake, Cassels & Graydon LLP
199 Bay Street
Suite 4000, Commerce Court West
Toronto, Ontario, Canada M5L 1A9
(416) 863-2400

Approximate date of commencement of proposed sale to the public: At such time or times on or after the effective date of this Registration Statement as the Registrant shall determine.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, please check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a registration statement pursuant to General Instruction I.C. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.C. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	U.S. \$	Amount to be Registered (1)	Proposed Maximum Offering Price per Security	U.S. \$	Proposed Maximum Aggregate Offering Price (2) (3)	U.S. \$	Amount of Registration Fee (1)
Senior debt securities		6,000,000,000	100%		6,000,000,000		695,400

- (1) This Registration Statement also includes an indeterminate amount of securities of the classes specified above that may be reoffered and resold on an ongoing basis after their initial sale in market-making transactions by affiliates of the Registrant. These securities consist of an indeterminate amount of such securities that are initially being registered, and will initially be offered and sold, under this Registration Statement and an indeterminate amount of such securities that were initially registered, and were initially offered and sold, under registration statements previously filed by the Registrant. All such market-making reoffers and resales of these securities that are made pursuant to a registration statement after the effectiveness of this Registration Statement are being made solely pursuant to this Registration Statement.
- (2) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(o) under the Securities Act.
- (3) Separate consideration may not be received for registered securities that are issuable on exercise, conversion or exchange of other securities.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT THAT SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SECTION 8(a) OF THE ACT, MAY DETERMINE.

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The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED FEBRUARY 27, 2017

CANADIAN IMPERIAL BANK OF COMMERCE

Senior Debt Securities

up to an aggregate initial offering price of U.S. \$6,000,000,000 or the equivalent thereof in other currencies.

This prospectus describes some of the general terms that may apply to these securities and the general manner in which they may be offered. We will give you the specific prices and other terms of the securities we are offering in supplements to this prospectus. You should read this prospectus and the applicable supplement carefully before you invest. We may sell the securities to or through one or more underwriters, dealers or agents. The names of the underwriters, dealers or agents will be set forth in supplements to this prospectus.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED THAT THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Prospective investors should be aware that the acquisition of the securities described herein may have tax consequences both in the United States and in Canada. Such consequences for investors who are resident in, or citizens of, the United States may not be described fully herein or in any applicable prospectus supplement.

The enforcement by investors of civil liabilities under United States federal securities laws may be affected adversely by the fact that Canadian Imperial Bank of Commerce (CIBC) is a Canadian bank, that many of its officers and directors are residents of Canada, that some or all of the underwriters or experts named in the registration statement on Form F-3, of which this prospectus forms a part, may be residents of Canada, and that all or a substantial portion of the assets of CIBC and such persons may be located outside of the United States. See Limitations on

Enforcement of U.S. Laws Against CIBC, Its Management and Others on page 19.

The securities described herein will not constitute deposits that are insured under the *Canada Deposit Insurance Corporation Act* (Canada) or by the United States Federal Deposit Insurance Corporation.

Investing in the securities described herein involves a number of risks. See Risk Factors on page 1.

We may use this prospectus in the initial sale of the securities described herein. In addition, we or our affiliates may use this prospectus in a market-making transaction in any of these securities after their initial sale. Unless we or our agent informs you otherwise in the confirmation of sale, this prospectus is being used in a market-making transaction.

The date of this prospectus is _____, 2017.

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In this prospectus, unless the context otherwise indicates, CIBC , we , us or our means Canadian Imperial Bank of Commerce and its subsidiaries.

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ABOUT THIS PROSPECTUS

This prospectus provides you with a general description of the securities we may offer. Each time we sell securities, we will provide a prospectus supplement containing specific information about the terms of the securities being offered thereunder. A prospectus supplement may include a discussion of any risk factors or other special considerations applicable to those securities or to us. A prospectus supplement may also add, update or change information in this prospectus. If there is any inconsistency between the information in this prospectus and the applicable prospectus supplement, you should rely on the information in the prospectus supplement. You should read both this prospectus and any prospectus supplement together with the additional information described under the heading Available Information on page iii.

We may sell securities to underwriters who will sell the securities to the public on terms fixed at the time of sale. In addition, the securities may be sold by us directly or through dealers or agents designated from time to time. If we, directly or through agents, solicit offers to purchase the securities, we reserve the sole right to accept and, together with any agents, to reject, in whole or in part, any of those offers.

Any prospectus supplement will contain the names of the underwriters, dealers or agents, if any, together with the terms of the offering, the compensation of the underwriters and the net proceeds to us. Any underwriters, dealers or agents participating in the offering may be deemed underwriters within the meaning of the U.S. Securities Act of 1933, as amended (the Securities Act).

FORWARD-LOOKING STATEMENTS

This prospectus, including the documents that are incorporated by reference herein, contains forward-looking statements within the meaning of certain securities laws. All such statements are made pursuant to the safe harbor provisions of, and are intended to be forward-looking statements under, applicable Canadian and United States securities legislation, including the U.S. Private Securities Litigation Reform Act of 1995. These statements include, but are not limited to, statements made about the operations, business lines, financial condition, risk management, priorities, targets, ongoing objectives, strategies, the regulatory environment in which we operate and outlook of CIBC for calendar year 2017 and subsequent periods. Forward-looking statements are typically identified by the words believe, expect, anticipate, intend, estimate, forecast, target, objective and other similar expressions or future or conditional verbs such as will, should, would and could. By their nature, these statements require CIBC to make assumptions and are subject to inherent risks and uncertainties that may be general or specific. A variety of factors, many of which are beyond CIBC's control, affect the operations, performance and results of CIBC, and could cause actual results to differ materially from the expectations expressed in any of CIBC's forward-looking statements. These factors include:

- credit, market, liquidity, strategic, insurance, operational, reputation and legal, regulatory and environmental risk;
- the effectiveness and adequacy of our risk management and valuation models and processes;

- legislative or regulatory developments in the jurisdictions where we operate, including the Dodd-Frank Wall Street Reform and Consumer Protection Act and the regulations issued and to be issued thereunder, the Organization for Economic Co-operation and Development Common Reporting Standard, and regulatory reforms in the United Kingdom and Europe, the Basel Committee on Banking Supervision's global standards for capital and liquidity reform, and those relating to bank recapitalization legislation and the payments system in Canada;
- amendments to, and interpretations of, risk-based capital guidelines and reporting instructions, and interest rate and liquidity regulatory guidance;
- the resolution of legal and regulatory proceedings and related matters;
- the effect of changes to accounting standards, rules and interpretations;
- changes in our estimates of reserves and allowances;
- changes in tax laws;
- changes to our credit ratings;

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- political conditions and developments;
- the possible effect on our business of international conflicts and the war on terror;
- natural disasters, public health emergencies, disruptions to public infrastructure and other catastrophic events;
- reliance on third parties to provide components of our business infrastructure;
- potential disruptions to our information technology systems and services;
- increasing cyber security risks which may include theft of assets, unauthorized access to sensitive information, or operational disruption;
- social media risk;
- losses incurred as a result of internal or external fraud;
- anti-money laundering;
- the accuracy and completeness of information provided to us concerning clients and counterparties;
- the failure of third parties to comply with their obligations to us and our affiliates or associates;

- intensifying competition from established competitors and new entrants in the financial services industry including through internet and mobile banking;
- technological change;
- global capital market activity;
- changes in monetary and economic policy;
- currency value and interest rate fluctuations, including as a result of market and oil price volatility;
- general business and economic conditions worldwide, as well as in Canada, the United States and other countries where we have operations, including increasing Canadian household debt levels and global credit risks;
- our success in developing and introducing new products and services, expanding existing distribution channels, developing new distribution channels and realizing increased revenue from these channels;
- changes in client spending and saving habits;
- our ability to attract and retain key employees and executives;
- our ability to successfully execute our strategies and complete and integrate acquisitions and joint ventures;
- the risk that expected synergies and benefits of the acquisition of PrivateBancorp, Inc. will not be realized within the expected time frame or at all or the possibility that the acquisition does not close when expected or at all because required regulatory, shareholder or other approvals are not received or other conditions to the closing are not satisfied on a timely basis or at all; and

- our ability to anticipate and manage the risks associated with these factors.

This list is not exhaustive of the factors that may affect any of CIBC's forward-looking statements. Additional information about these factors can be found in the "Management of risk" section of our 2016 Annual Report (as defined below). These and other factors should be considered carefully and readers should not place undue reliance on CIBC's forward-looking statements. See "Risk Factors" in this prospectus and the documents incorporated by reference herein. CIBC does not undertake to update any forward-looking statement that is contained in this prospectus or the documents incorporated by reference in this prospectus except as required by law.

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AVAILABLE INFORMATION

In addition to the continuous disclosure obligations under the securities laws of the provinces and territories of Canada, CIBC is subject to the informational reporting requirements of the U.S. Securities Exchange Act of 1934, as amended (the Exchange Act), and in accordance therewith files reports and other information with the U.S. Securities and Exchange Commission (the SEC). Under a multi-jurisdictional disclosure system adopted by the United States and Canada, such reports and other information may be prepared in accordance with the disclosure requirements of the provincial and territorial securities regulatory authorities of Canada, which requirements are different from those of the United States. As a foreign private issuer, CIBC is exempt from the rules under the Exchange Act prescribing the furnishing and content of proxy statements. CIBC's reports and other information filed with or furnished to the SEC are available, and reports and other information filed or furnished in the future with or to the SEC will be available, from the SEC's EDGAR System (<http://www.sec.gov>). Any document CIBC files with or furnishes to the SEC may be inspected and, by paying a fee, copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. Prospective investors may call the SEC at 1-800-SEC-0330 for further information regarding the public reference facilities. CIBC's common shares are listed on the New York Stock Exchange and reports and other information concerning CIBC may be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

CIBC has filed with the SEC, under the Securities Act, a registration statement on Form F-3 with respect to the securities offered by this prospectus. This prospectus forms a part of that registration statement. This prospectus does not contain all of the information that is set forth in the registration statement; certain parts of the registration statement are omitted in accordance with the rules and regulations of the SEC. Statements made in this prospectus as to the contents of any contract, agreement or other document referred to are not necessarily complete, and in each instance, reference is made to an exhibit to the registration statement, if applicable, for a more complete description of the matter, each such statement being qualified in its entirety by such reference. For further information with respect to CIBC and the securities offered by this prospectus, reference is made to the registration statement and the exhibits thereto, which will be publicly available as described in the preceding paragraph.

DOCUMENTS INCORPORATED BY REFERENCE

The SEC allows us to incorporate by reference the information we file with it, which means we can disclose important information to you by referring you to those documents.

The following documents are incorporated by reference into this prospectus:

- (i) CIBC's Annual Report on Form 40-F for the fiscal year ended October 31, 2016 (the 2016 Annual Report); and
- (ii) CIBC's Reports on Form 6-K filed on December 1, 2016 (with respect to the reporting of the declaration of dividends), December 1, 2016 (with respect to CIBC's Computation of Ratio of Earnings to Fixed Charges), February 23, 2017 (with respect to CIBC's Report to Shareholders for the First Quarter, 2017), February 23, 2017 (with respect to the reporting of the declaration of dividends) and February 23, 2017 (with respect to CIBC's

Computation of Ratio of Earnings to Fixed Charges).

In addition, any documents filed on Form 40-F or furnished on Form 6-K (if and to the extent expressly provided therein) by CIBC with the SEC, after the date of the filing of this prospectus and prior to the completion or withdrawal of any offering hereunder or, if later, the date on which any of CIBC's affiliates ceases offering and selling the securities offered hereby, shall be deemed to be incorporated by reference in this prospectus and the registration statement of which this prospectus forms a part.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for purposes of this prospectus, to the extent that a statement contained herein or in any other subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

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You can request a copy of the documents referred to above, excluding exhibits that are not specifically incorporated by reference herein, at no cost, by writing or telephoning us at Canadian Imperial Bank of Commerce, Commerce Court, Toronto, Ontario, Canada M5L 1A2, Attention: Investor Relations, telephone: (416) 980-6657. The documents incorporated by reference are available from the SEC's EDGAR System at www.sec.gov.

PRESENTATION OF FINANCIAL INFORMATION

CIBC prepares its consolidated financial statements, including comparative information, in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. Pursuant to SEC rules, CIBC is permitted to present its financial statements in accordance with IFRS without a reconciliation to U.S. GAAP.

Additionally, CIBC publishes its consolidated financial statements in Canadian dollars. In this prospectus, currency amounts are stated in Canadian dollars, unless specified otherwise. References to \$, Cdn\$ and dollars are to Canadian dollars, and references to US\$ are to U.S. dollars. As indicated in the table below, the Canadian dollar has fluctuated in value compared to the U.S. dollar over the last five years.

The table below sets forth the high and low daily noon buying rates, the average yearly rate and the rate at period end between Canadian dollars and U.S. dollars (in U.S. dollars per Canadian dollar) for the five-year period ended October 31, 2016 and for each of November and December 2016 and January 2017. On February 17, 2017, the latest date for which information is available, the Canadian dollar noon buying rate was U.S. \$0.7625. Our reference to the noon buying rate is the rate in The City of New York for cable transfers in foreign currencies as announced by the U.S. Federal Reserve Bank of New York for customs purposes on a specified date.

PERIOD	HIGH	LOW	AVERAGE RATE(1)	AT PERIOD END
Year Ended October 31				
2012	1.0299	0.9536	0.9969	1.0006
2013	1.0164	0.9454	0.9774	0.9589
2014	0.9602	0.8857	0.9150	0.8872
2015	0.8900	0.7455	0.7979	0.7644
2016	0.7972	0.6853	0.7550	0.7461
November 2016	0.7499	0.7363	0.7449	0.7444
December 2016	0.7623	0.7377	0.7497	0.7448
January 2017	0.7675	0.7442	0.7586	0.7675
February 2017 (through February 17)	0.7691	0.7595	0.7639	0.7625

(1) The average of the noon buying rates for each year are based on the noon buying rates on the last business day of each full month during the relevant year.

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CANADIAN IMPERIAL BANK OF COMMERCE

CIBC is a diversified financial institution governed by the *Bank Act* (Canada) (the *Bank Act*). CIBC's registered and head office is located in Commerce Court, Toronto, Canada, M5L 1A2. CIBC was formed in 1961 through the amalgamation of The Canadian Bank of Commerce (originally incorporated in 1858) and Imperial Bank of Canada (originally incorporated in 1875).

Additional information with respect to CIBC's businesses is included in the documents incorporated by reference into this prospectus. See Documents Incorporated by Reference in this prospectus.

RISK FACTORS

Investment in these securities is subject to various risks including those risks inherent in conducting the business of a diversified financial institution. Before deciding whether to invest in any senior debt securities, you should consider carefully the risks described in the documents incorporated by reference in this prospectus (including subsequently filed documents incorporated by reference) and, if applicable, those described in a prospectus supplement relating to a specific offering of securities. You should consider the categories of risks identified and discussed in the management's discussion and analysis of financial condition and results of operations included in our 2016 Annual Report, including those summarized under Forward-Looking Statements on page i.

USE OF PROCEEDS

Except as otherwise set forth in a prospectus supplement, the net proceeds from the sale of securities will be added to our general funds and will be used for general corporate purposes.

RATIOS OF EARNINGS TO FIXED CHARGES

The following table sets forth the ratio of earnings to fixed charges of CIBC for each of the years in the five-year period ended October 31, 2016 and for the three months ended January 31, 2017 calculated in accordance with the accounting principles indicated below:

	Three Months Ended January 31, 2017	2016	2015 (IFRS)(1)	Year Ended October 31, 2014	2013	2012
Excluding Interest on Deposits	8.96x	7.75x	6.20x	5.29x	5.49x	4.43x
Including Interest on Deposits	2.55x	2.27x	2.10x	1.90x	1.86x	1.82x

(1) Under IFRS, interest on deposits comprises interest expense relating to deposits and secured borrowings liabilities.

For purposes of computing these ratios, earnings represent net income before income taxes and fixed charges (excluding capitalized interest). Fixed charges represent (i) estimated interest within rental expense, (ii) amortization of debt issuance costs and (iii) interest (including capitalized interest), including or excluding deposit interest as indicated. For purposes of computing these ratios, the interest component of rental expense is 30% of rent expense because it is the proportion deemed representative of the interest factor.

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DESCRIPTION OF SENIOR DEBT SECURITIES

The following describes the material terms of the senior debt securities. The senior debt securities will be issued under the indenture (as amended or supplemented from time to time, the indenture), dated as of September 15, 2012 between CIBC and Deutsche Bank Trust Company Americas, as trustee (the Trustee), a copy of which is incorporated by reference as an exhibit to the registration statement of which this prospectus forms a part. The specific terms applicable to a particular issuance of senior debt securities and any variations from the terms set forth below will be set forth in the applicable prospectus supplement. In this section, CIBC, we, us or our means Canadian Imperial Bank of Commerce, the issuer of the senior debt securities, and not its subsidiaries.

The following is a summary of the material terms and provisions of the indenture and the senior debt securities. You should refer to the indenture and the senior debt securities for complete information regarding the terms and provisions of the indenture and the senior debt securities. The indenture is subject to and governed by the U.S. Trust Indenture Act of 1939, as amended, and applicable Canadian trust indenture legislation.

Ranking

The senior debt securities will not be secured by any of our property or assets or the property or assets of our subsidiaries. Thus, by owning a senior debt security, you are one of our unsecured creditors.

The senior debt securities will be unsubordinated obligations that rank equally with all of our other unsecured and unsubordinated debt, including deposit liabilities, other than certain governmental claims in accordance with applicable law.

In the event we become insolvent, our governing legislation provides that priorities among payments of our deposit liabilities (including payments in respect of the senior debt securities) and payments of all of our other liabilities are to be determined in accordance with the laws governing priorities and, where applicable, by the terms of the indebtedness and liabilities. In addition, our right to participate in any distribution of the assets of our banking or non-banking subsidiaries, upon a subsidiary's dissolution, winding-up, liquidation or reorganization or otherwise, and thus your ability to benefit indirectly from such distribution, is subject to the prior claims of creditors of that subsidiary, except to the extent that we may be a creditor of that subsidiary and our claims are recognized. There are legal limitations on the extent to which some of our subsidiaries may extend credit, pay dividends or otherwise supply funds to, or engage in transactions with, us or some of our other subsidiaries. Accordingly, the senior debt securities will be structurally subordinated to all existing and future liabilities of our subsidiaries, and holders of senior debt securities should look only to our assets for payments on the senior debt securities.

The senior debt securities will not constitute deposits insured under the *Canada Deposit Insurance Corporation Act* (Canada) or by the United States Federal Deposit Insurance Corporation or any other Canadian or United States governmental agency or instrumentality.

General

We may issue as many distinct series of senior debt securities under the indenture as we wish. The provisions of the indenture allow us not only to issue senior debt securities with terms different from those previously issued under the applicable indenture, but also to re-open a previous issue of a series of senior debt securities and issue additional senior debt securities of that series. We may issue senior debt securities in amounts that exceed the total amount specified on the cover of your applicable prospectus supplement at any time without your consent and without notifying you. In addition, we may issue additional senior debt securities of any series at any time without your consent and without notifying you. We may also issue other securities at any time without your consent and without notifying you. The indenture does not limit our ability to incur other indebtedness or to issue other securities, and we are not subject to financial or similar restrictions under the indenture.

This section summarizes the material terms of the senior debt securities that are common to all series, subject to any modifications contained in an applicable prospectus supplement. Most of the specific terms of your series will be described in the applicable prospectus supplements accompanying this prospectus. The specific terms of your senior debt security as described in the applicable prospectus supplements will supplement and, if applicable, may modify or replace the general terms described in this section. If there are any differences between the information in the applicable prospectus supplements and this prospectus, the information in the most recent applicable prospectus supplement will control. Accordingly, the statements we make in this section may not apply to your senior debt securities. Because this section is a summary, it does not describe every aspect of the senior debt securities. This summary is subject to and qualified in its entirety by reference to all the provisions of the indenture

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and the applicable series of senior debt securities, including definitions of certain terms used in the indenture and the applicable series of senior debt securities. In this summary, we describe the meaning of only some of the more important terms. You must look to the indenture or the applicable series of senior debt securities for the most complete description of what we describe in summary form in this prospectus.

We may issue the senior debt securities as original issue discount securities, which will be offered and sold at a substantial discount below their stated principal amount. An applicable prospectus supplement relating to the original issue discount securities will describe U.S. federal, Canadian federal and other relevant income tax considerations and other special considerations applicable to them. The senior debt securities may also be issued as indexed securities or securities denominated in foreign currencies or currency units, as described in more detail in an applicable prospectus supplement relating to any of the particular senior debt securities. An applicable prospectus supplement relating to specific senior debt securities will also describe any special considerations and any material U.S. federal and Canadian federal tax considerations applicable to such senior debt securities, including whether and under what circumstances we will pay additional amounts on or for any tax, assessment or governmental charge withheld or deducted and, if so, whether we will have the option to redeem the senior debt securities rather than pay the additional amounts.

When we refer to a series of senior debt securities, we mean a series issued under the indenture pursuant to which the senior debt securities will be issued. Each series of senior debt securities is a single distinct series under the indenture pursuant to which they will be issued and we may issue senior debt securities of each series in such amounts, at such times and on such terms as we wish. The senior debt securities of each series may differ from one another, and from any other series, in their terms, but all senior debt securities of a series together will constitute a single series for all purposes under the indenture pursuant to which they will be issued.

We may issue senior debt securities up to an aggregate principal amount as we may authorize from time to time. The applicable prospectus supplements will describe the terms of any series of senior debt securities being offered, including:

- the title of the series of senior debt securities;

- any limit on the aggregate principal amount of the series of senior debt securities;

- the person to whom interest on a senior debt security is payable, if other than the holder on the regular record date;

- the date or dates on which the series of senior debt securities will mature;

- the rate or rates (which may be fixed or variable) per annum, at which the series of senior debt securities will bear interest, if any, and the date or dates from which that interest, if any, will accrue;

- the dates on which such interest, if any, will be payable and the regular record dates for such interest payment dates;
- the place or places where the principal of, premium, if any, and interest on the senior debt securities is payable;
- any mandatory or optional sinking funds or similar provisions;
- if applicable, the date after which, the price at which, the periods within which and the terms and conditions upon which the senior debt securities may, pursuant to any optional or mandatory redemption provisions, be redeemed and other detailed terms and provisions of those optional or mandatory redemption provisions or provisions for redemption at our option or the option of the holder, if any;
- if applicable, the terms and conditions upon which the senior debt securities may be repayable prior to final maturity at the option of the holder thereof (which option may be conditional);
- the portion of the principal amount of the senior debt securities, if other than the entire principal amount thereof, payable upon acceleration of maturity thereof;

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- if other than denominations of US\$2,000 and integral multiples of US\$1,000 in excess thereof, the denominations in which the series of senior debt securities will be issuable;

- the currency of payment of principal, premium, if any, and interest on the series of senior debt securities;

- if the currency of payment for principal, premium, if any, and interest on the series of senior debt securities is subject to our election or that of a holder, the currency or currencies in which payment can be made and the period within which, and the terms and conditions upon which, the election can be made;

- the terms, if any, on which any securities may or shall be converted into or exchanged at the option of CIBC or otherwise for shares or other securities of CIBC or another entity or other entities, into the cash value thereof or into any combination of the foregoing, any specific terms relating to the adjustment thereof and the period during which such securities may or shall be so converted or exchanged;

- any index, formula or other method used to determine the amount of payment of principal or premium, if any, and/or interest on the series of senior debt securities;

- the applicability of the provisions described under **Defeasance** below;

- any event of default under the series of senior debt securities if different from those described under **Events of Default** below;

- if the series of senior debt securities will be issuable only in the form of a global senior debt security, the depositary or its nominee with respect to the series of senior debt securities and the circumstances under which the global senior debt security may be registered for transfer or exchange in the name of a person other than the depositary or the nominee; and

- any other special feature of the series of senior debt securities.

Market-Making Transactions

One or more of our subsidiaries may purchase and resell senior debt securities in market-making transactions after their initial issuance. We may also, subject to applicable law and any required regulatory approvals, purchase senior debt securities in the open market or in private transactions to be held by us or cancelled.

Covenants

Except as otherwise provided in an applicable prospectus supplement with respect to any series of senior debt securities, we are not restricted by the indenture from incurring, assuming or becoming liable for any type of debt or other obligations, from paying dividends or making distributions on our capital stock or purchasing or redeeming our capital stock. The indenture does not require the maintenance of any financial ratios or specified levels of net worth or liquidity, nor does it contain any covenants or other provisions that would limit our or our subsidiaries right to incur additional indebtedness, enter into any sale and leaseback transaction or grant liens on our or our subsidiaries' assets. The indenture does not contain any provisions that would require us to repurchase or redeem or otherwise modify the terms of any of the senior debt securities upon a change in control or other events that may adversely affect the creditworthiness of the senior debt securities, for example, a highly leveraged transaction, except as otherwise specified in this prospectus or any applicable prospectus supplement.

Mergers and Similar Events

The indenture provides that we are permitted to merge, amalgamate, consolidate or otherwise combine with another entity, or to sell or lease substantially all of our assets to another entity, as long as the following conditions are met:

- When we merge, amalgamate, consolidate or otherwise are combined with another entity, or sell or lease substantially all of our assets, the surviving, resulting or acquiring entity is a duly organized entity and is legally responsible for and assumes, either by agreement, operation of law or otherwise, our obligations under such indenture and the senior debt securities issued thereunder.

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- The merger, amalgamation, consolidation, other combination, or sale or lease of assets, must not result in an event of default under such indenture. A default for this purpose would include any event that would become an event of default if the requirements for giving us default notice or our default having to exist for a specified period of time were both disregarded.

- We have delivered to the Trustee an officer's certificate and opinion of counsel stating that the transaction (and any accompanying supplemental indenture) complies with the indenture and all conditions precedent have been complied with.

If the conditions described above are satisfied, we will not need to obtain the consent of the holders of the senior debt securities in order to merge, amalgamate, consolidate or otherwise combine with another entity or to sell or lease substantially all of our assets.

We will not need to satisfy the conditions described above if we enter into other types of transactions, including:

- any transaction in which we acquire the stock or assets of another entity but in which we do not merge, amalgamate, consolidate or otherwise combine;
- any transaction that involves a change of control but in which we do not merge, amalgamate, consolidate or otherwise combine; and
- any transaction in which we sell less than substantially all of our assets.

It is possible that this type of transaction may result in a reduction in our credit rating, may reduce our operating results or may impair our financial condition. Holders of senior debt securities, however, will have no approval right with respect to any transaction of this type.

Modification and Waiver of the Senior Debt Securities

There are three types of changes we can make to the indenture and the senior debt securities issued under that indenture.

Changes Requiring Consent of Each Holder. First, there are changes that cannot be made to the indenture or the senior debt securities without the consent of each holder of a series of senior debt securities affected by the change under the indenture. The following is a list of those types of changes:

- change the stated maturity of the principal or reduce the interest on a senior debt security;
- reduce any amounts due on a senior debt security;
- reduce the amount of principal payable upon acceleration of the maturity of a senior debt security (including the amount payable on an original issue discount security) following a default;
- change the currency of payment on a senior debt security;
- change the place of payment for a senior debt security;
- impair a holder's right to sue for payment;
- impair a holder's right to require repurchase on the original terms of those senior debt securities that provide a right of repurchase;
- reduce the percentage of holders of senior debt securities whose consent is needed to modify or amend the indenture;
- reduce the percentage of holders of senior debt securities whose consent is needed to waive compliance with certain provisions of the indenture or to waive certain defaults; or
- modify any other aspect of the provisions dealing with modification and waiver of the indenture.

Changes Requiring a Majority Consent. The second type of change to the indenture and the senior debt securities is the kind that requires the consent of holders of senior debt securities owning not less than a majority of the principal amount of the particular series affected. Most changes fall into this category, except for clarifying changes and certain other

changes that would not adversely affect in any material respect holders of the senior debt

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securities. We may also obtain a waiver of a past default from the holders of senior debt securities owning a majority of the principal amount of the particular series affected. However, we cannot obtain a waiver of a payment default or any other aspect of the indenture or the senior debt securities described above under *Changes Requiring Consent of Each Holder* unless we obtain the individual consent of each holder of senior debt securities of the affected series to the waiver.

Changes Not Requiring Consent. The third type of change to the indenture and the senior debt securities does not require the consent by holders of senior debt securities. This type of change is limited to the issuance of new series of senior debt securities under the indenture, clarifications and certain other changes that would not adversely affect in any material respect the interests of the holders of the senior debt securities of any series.

Further Details Concerning Voting. When seeking consent, we will use the following rules to decide the principal amount to attribute to a senior debt security:

- For original issue discount securities, we will use the principal amount that would be due and payable on the voting date if the maturity of the senior debt securities were accelerated to that date because of a default.
- For senior debt securities whose principal amount is not known, we will use a special rule for that senior debt security described in the applicable prospectus supplement.
- For senior debt securities denominated in one or more non-U.S. currencies or currency units, we will use the U.S. dollar equivalent.

Senior debt securities will not be considered outstanding, and therefore not eligible to vote or take other action under the applicable indenture, if we have given a notice of redemption and deposited or set aside in trust for the holders money for the payment or redemption of those senior debt securities. Senior debt securities will also not be considered outstanding, and therefore not eligible to vote or take other action under the applicable indenture, if they have been fully defeased as described below under *Defeasance* *Full Defeasance* or if we or one of our affiliates is the beneficial owner of the senior debt securities.

We will generally be entitled to set any day as a record date for the purpose of determining the holders of outstanding senior debt securities that are entitled to vote or take other action under the applicable indenture. In certain limited circumstances, the trustee will be entitled to set a record date for action by holders. If the trustee or we set a record date for a vote or other action to be taken by holders of a particular series, that vote or action may be taken only by persons who are holders of outstanding senior debt securities of that series on the record date. We or the trustee as applicable, may shorten or lengthen this period from time to time. This period, however, may not extend beyond the 180th day after the record date for the action.

Book-entry and other indirect holders should consult their banks, brokers or other financial institutions for information on how approval may be granted or denied if we seek to change the indenture or the senior debt securities or request a waiver.

Defeasance

The following discussion of full defeasance and covenant defeasance will be applicable to each series of senior debt securities that is denominated in U.S. dollars and has a fixed rate of interest and will apply to other series of senior debt securities if we so specify in the applicable prospectus supplements.

Full Defeasance. If there is a change in U.S. federal income tax law, as described below, we can legally release ourselves from any payment or other obligations on the senior debt securities of a series, called full defeasance, if we put in place the following other arrangements for holders to be repaid:

- We must deposit in trust for the benefit of all holders of the senior debt securities of that series a combination of money and notes or bonds of (i) the U.S. government or (ii) a U.S. government agency or U.S. government-sponsored entity, the obligations of which, in each case, are backed by the full faith and credit of the U.S. government, that will generate enough cash to make interest, principal and any other payments on the senior debt securities of that series on their various due dates sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay and discharge the amounts owed.

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- There must be a change in current U.S. federal income tax law or a ruling by the United States Internal Revenue Service that lets us make the above deposit without causing the holders to be taxed on the senior debt securities of that series any differently than if we did not make the deposit and just repaid the senior debt securities of that series ourselves. (Under current U.S. federal income tax law, the deposit and our legal release from the obligations pursuant to the senior debt securities would be treated as though we took back your senior debt securities and gave you your share of the cash and notes or bonds deposited in trust. In that event, you could recognize gain or loss on the senior debt securities you give back to us.)

- We must deliver to the trustee a legal opinion of our counsel confirming the tax law change described above and that the holders of the senior debt securities of that series will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit, defeasance and discharge and will be subject to U.S. federal income tax on the same amounts and in the same manner and at the same times as would be the case if such deposit, defeasance and discharge had not occurred.

If we ever did accomplish full defeasance, as described above, you would have to rely solely on the trust deposit for repayment on the senior debt securities. You could not look to us for repayment in the event of any shortfall.

Covenant Defeasance. Even without a change in current U.S. federal income tax law, we can make the same type of deposit as described above, and we will be released from the restrictive covenants under the senior debt securities of a series that may be described in the applicable prospectus supplements. This is called covenant defeasance. In that event, you would lose the protection of these covenants but would gain the protection of having money and U.S. government, U.S. government agency or U.S. government-sponsored entity notes or bonds set aside in trust to repay the senior debt securities. In order to achieve covenant defeasance, we must do the following:

- Deposit in trust for the benefit of all holders of the senior debt securities of that series a combination of money and notes or bonds of (i) the U.S. government or (ii) a U.S. government agency or U.S. government-sponsored entity, the obligations of which, in each case, are backed by the full faith and credit of the U.S. government, that will generate enough cash to make interest, principal and any other payments on the senior debt securities of that series on their various due dates sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay and discharge the amounts owed.

- Deliver to the trustee a legal opinion of our counsel confirming that the holders of the senior debt securities of that series will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and covenant defeasance and will be subject to U.S. federal income tax on the same amounts and in the same manner and at the same times as would be the case if such deposit and covenant defeasance had not occurred.

If we accomplish covenant defeasance, certain provisions of the indenture and the senior debt securities would no longer apply:

- Covenants applicable to the series of senior debt securities and described in the applicable prospectus supplements.
- Any events of default relating to breach of those covenants.

If we accomplish covenant defeasance, you can still look to us for repayment of the senior debt securities if there were a shortfall in the trust deposit. In fact, if one of the remaining events of default occurs (such as a bankruptcy) and the senior debt securities become immediately due and payable, there may be such a shortfall.

Events of Default

You will have special rights if an event of default occurs and is not cured, as described later in this subsection.

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What is an Event of Default?

Under the indenture, the term "event of default" means in respect of any series of senior debt securities any of the following:

- We do not pay the principal of or any premium on a senior debt security of that series within five days of its due date.

- We do not pay interest on a senior debt security of that series for more than 30 days after its due date.

- We file for bankruptcy or certain other events of bankruptcy, insolvency or reorganization occur.

- Any other event of default described in an applicable prospectus supplement occurs.

Remedies If an Event of Default Occurs. If an event of default occurs, the trustee will have special duties. In that situation, the trustee will be obligated to use those of its rights and powers under the applicable indenture, and to use the same degree of care and skill in doing so, that a prudent person would use in that situation in conducting his or her own affairs. If an event of default has occurred and has not been cured, the trustee or the holders of at least 25% in principal amount of the outstanding senior debt securities of the affected series may declare the entire principal amount of (or, in the case of original issue discount securities, the portion of the principal amount that is specified in the terms of the affected senior debt security) and interest on all of the senior debt securities of that series to be due and immediately payable. This is called a "declaration of acceleration". The declaration of acceleration is not, however, an automatic right upon the occurrence of an event of default, and for such acceleration to be effective, the trustee must take the aforementioned action or the holders must direct the trustee to act as described in this section below. Furthermore, a declaration of acceleration may be cancelled in certain circumstances, but only before a judgment or decree based on the acceleration has been obtained, by the holders of at least a majority in principal amount of the senior debt securities of the affected series. If any provisions of applicable Canadian banking law prohibit the payment of any amounts due under the senior debt securities before a specified time, then the obligation to make such payment shall be subject to such prohibition.

You should read carefully the applicable prospectus supplements relating to any series of senior debt securities which are original issue discount securities for the particular provisions relating to acceleration of the maturity of a portion of the principal amount of original issue discount securities upon the occurrence of an event of default and its continuation.

Except in cases of default in which the trustee has the special duties described above, the trustee is not required to take any action under the indenture at the request of any holders unless the holders offer the trustee protection from expenses and liability called an indemnity satisfactory to the trustee. If such an indemnity is provided, the holders of a majority in principal amount of the outstanding senior debt securities of the relevant series may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the trustee. These majority holders may also direct the trustee in performing any other action under the applicable indenture with respect to the senior debt securities of that series.

Before you bypass the trustee and bring your own lawsuit or other formal legal action or take other steps to enforce your rights or protect your interests relating to the senior debt securities the following must occur:

- the holder of the senior debt security must give the trustee written notice that an event of default has occurred and remains uncured;

- the holders of not less than 25% in principal amount of all outstanding senior debt securities of the relevant series must make a written request that the trustee take action because of such event of default;

- such holder or holders must offer indemnity satisfactory to the trustee against the cost and other liabilities of taking that action;

- the trustee must have not taken action for 90 days after receipt of the above notice and offer of indemnity; and

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- the trustee has not received any direction from a majority in principal amount of all outstanding senior debt securities of the relevant series that is inconsistent with such written request during such 90-day period.

However, you are entitled at any time to bring a lawsuit for the payment of money due on your senior debt security on or after its due date.

BOOK-ENTRY AND OTHER INDIRECT HOLDERS SHOULD CONSULT THEIR BANKS, BROKERS OR OTHER FINANCIAL INSTITUTIONS FOR INFORMATION ON HOW TO GIVE NOTICE OR DIRECTION TO OR MAKE A REQUEST OF THE TRUSTEE AND TO MAKE OR CANCEL A DECLARATION OF ACCELERATION.

We will give to the trustee every year a written statement of certain of our officers certifying that to their knowledge we are in compliance with the applicable indenture and the senior debt securities issued under it, or else specifying any default.

Form, Exchange and Transfer

Unless we specify otherwise in an applicable prospectus supplement, the senior debt securities will be issued:

- only in fully-registered form;
- without interest coupons; and
- in denominations of US\$2,000 and integral multiples of US\$1,000 in excess thereof.

If a senior debt security is issued as a registered global senior debt security, only the depositary will be entitled to transfer and exchange the senior debt security as described in this subsection because the depositary will be the sole registered holder of the senior debt security and is referred to below as the holder. Those who own beneficial interests in a global senior debt security do so through participants in the depositary's securities clearance system, and the rights of these indirect owners will be governed by the applicable procedures of the depositary and its participants. We describe book-entry procedures below under Legal Ownership and Book-Entry Issuance.

Holders of senior debt securities issued in fully-registered form may have their senior debt securities broken into more senior debt securities of smaller denominations of not less than US\$2,000, or combined into fewer senior debt securities of larger denominations, as long as the total principal amount is not changed. This is called an exchange.

Holders may exchange or register the transfer of senior debt securities at the office of the trustee. Senior debt securities may be transferred by endorsement. Holders may also replace lost, stolen or mutilated senior debt securities at that office. The trustee acts as our agent for registering senior debt securities in the names of holders and registering the transfer of senior debt securities. We may change this appointment to another entity or perform it ourselves. The entity performing the role of maintaining the list of registered holders is called the security registrar. It will also record transfers. The trustee may require an indemnity before replacing any senior debt securities.

Holders will not be required to pay a service charge to register the transfer or exchange of senior debt securities, but holders may be required to pay for any tax or other governmental charge associated with the exchange or transfer. The registration of a transfer or exchange will only be made if the security registrar is satisfied with your proof of ownership.

If we designate additional agents, they will be named in the applicable prospectus supplements. We may cancel the designation of any particular agent. We may also approve a change in the office through which any agent acts.

If the senior debt securities are redeemable and we redeem less than all of the senior debt securities of a particular series, we may block the registration of transfer or exchange of senior debt securities during the period beginning 15 days before the day we mail the notice of redemption and ending on the day of that mailing, in order to freeze the list of holders entitled to receive the mailing. We may also refuse to register transfers or exchanges of senior debt securities selected for redemption, except that we will continue to permit registration of transfers and exchanges of the unredeemed portion of any senior debt security being partially redeemed.

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The Trustee

The trustee makes no representation or warranty, whether express or implied, with respect to CIBC or the senior debt securities and other matters described in this prospectus. The trustee has not prepared or reviewed any of the information included in this prospectus, except the trustee has consented to the use of its name. Such approval does not constitute a representation or approval by the trustee of the accuracy or sufficiency of any information contained in this prospectus.

Payment and Paying Agents

We will pay interest to the person listed in the trustee's records at the close of business on a particular day in advance of each due date for interest, even if that person no longer owns the senior debt security on the interest due date. That particular day, usually about two weeks in advance of the interest due date, is called the regular record date and will be stated in an applicable prospectus supplement. Holders buying and selling senior debt securities must work out between them how to compensate for the fact that we will pay all the interest for an interest period to the one who is the registered holder on the regular record date. The most common manner is to adjust the sale price of the senior debt securities to prorate interest fairly between buyer and seller. This prorated interest amount is called accrued interest.

We will pay interest, principal and any other money due on the senior debt securities at the office of the paying agent or such other office as may be agreed upon. Holders must make arrangements to have their payments picked up at or wired from that office or such other office as may be agreed upon. We may also choose to pay interest by mailing checks.

BOOK-ENTRY AND OTHER INDIRECT HOLDERS SHOULD CONSULT THEIR BANKS, BROKERS OR OTHER FINANCIAL INSTITUTIONS FOR INFORMATION ON HOW THEY WILL RECEIVE PAYMENTS.

We may also arrange for additional payment offices and may cancel or change these offices, including our use of the trustee's corporate trust offices. These offices are called paying agents. We may also choose to act as our own paying agent or choose one of our subsidiaries to do so. We must notify holders of changes in the paying agents for any particular series of senior debt securities.

Conversion or Exchange of Senior Debt Securities

If and to the extent mentioned in the applicable prospectus supplement, any series of senior debt securities may be optionally or mandatorily convertible or exchangeable for stock or other securities of CIBC or another entity or entities, into the cash value therefor or into any combination of the above. The specific terms on which any senior debt securities series may be so converted or exchanged (as well as any material U.S. and Canadian federal income tax considerations) will be described in the applicable prospectus supplement. These terms may include provisions for conversion or exchange, either mandatory, at the holder's option or at our option, in which case the amount or number of securities the senior debt securities holders would receive would be calculated at the time and manner described in the applicable prospectus supplement.

Notices

We and the trustee will send notices regarding the senior debt securities only to registered holders, using the address as listed in the trustee's records. With respect to who is a registered holder for this purpose, see Legal Ownership and Book-Entry Issuance.

Regardless of who acts as paying agent, all money paid by us to a paying agent that remains unclaimed at the end of two years after the amount is due to holders will be repaid to us. After that two-year period, holders may look to us for payment and not to the trustee or any other paying agent.

Governing Law

The indenture and the senior debt securities will be governed by New York law, except that, pursuant to the indenture, the ranking of the senior debt securities will be governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein.

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Legal Ownership and Book-Entry Issuance

In this section, we describe special considerations that will apply to registered senior debt securities issued in global i.e., book-entry, form. First we describe the difference between registered ownership and indirect ownership of registered senior debt securities. Then we describe special provisions that apply to global senior debt securities.

Who is the Legal Owner of a Registered Security?

Each senior debt security will be represented either by a certificate issued in definitive form to a particular investor or by one or more global senior debt securities representing senior debt securities. We refer to those who have senior debt securities registered in their own names, on the books that we or the trustee maintains for this purpose, as the registered holders of those senior debt securities. Subject to limited exceptions, we and the trustee are entitled to treat the registered holder of a senior debt security as the person exclusively entitled to vote, to receive notices, to receive any interest or other payment in respect of the senior debt security and to exercise all the rights and power as an owner of the senior debt security. We refer to those who own beneficial interests in senior debt securities that are not registered in their own names as indirect owners of those senior debt securities. As we discuss below, indirect owners are not registered holders, and investors in senior debt securities issued in book-entry form or in street name will be indirect owners.

Book-Entry Owners. Unless otherwise noted in an applicable prospectus supplement, we will issue each senior debt security in book-entry form only. This means senior debt securities will be represented by one or more global senior debt securities registered in the name of a financial institution that holds them as depositary on behalf of other financial institutions that participate in the depositary's book-entry system. These participating institutions, in turn, hold beneficial interests in the senior debt securities on behalf of themselves or their customers.

Under the indenture, subject to limited exceptions and applicable law, only the person in whose name a senior debt security is registered is recognized as the holder of that senior debt security. Consequently, for senior debt securities issued in global form, we will recognize only the depositary as the holder of the senior debt securities and we will make all payments on the senior debt securities, including deliveries of any property other than cash, to the depositary. The depositary passes along the payments it receives to its participants, which in turn pass the payments along to their customers who are the beneficial owners. The depositary and its participants do so under agreements they have made with one another or with their customers; they are not obligated to do so under the terms of the senior debt securities.

As a result, investors will not own senior debt securities directly. Instead, they will own beneficial interests in a global senior debt security, through a bank, broker or other financial institution that participates in the depositary's book-entry system or holds an interest through a participant. As long as the senior debt securities are issued in global form, investors will be indirect owners, and not registered holders, of the senior debt securities.

Street Name Owners. We may issue senior debt securities initially in non-global form or we may terminate an existing global senior debt security, as described below under **Holder's Option to Obtain a Non-Global Security; Special Situations When a Global Security Will Be Terminated.** In these cases, investors may choose to hold their senior debt

securities in their own names or in street name. Senior debt securities held by an investor in street name would be registered in the name of a bank, broker or other financial institution that the investor chooses, and the investor would hold only a beneficial interest in those senior debt securities through an account he or she maintains at that institution.

For senior debt securities held in street name, we will, subject to limited exceptions and applicable law, recognize only the intermediary banks, brokers and other financial institutions in whose names the senior debt securities are registered as the holders of those senior debt securities, and we will make all payments on those senior debt securities, including deliveries of any property other than cash, to them. These institutions pass along the payments they receive to their customers who are the beneficial owners, but only because they agree to do so in their customer agreements or because they are legally required to do so. Investors who hold senior debt securities in street name will be indirect owners, not registered holders, of those senior debt securities.

Registered Holders. Subject to limited exceptions, our obligations, as well as the obligations of the trustee under any indenture and the obligations, if any, of any other third parties employed by us, run only to the registered holders of the senior debt securities. We do not have obligations to investors who hold beneficial interests in global senior debt securities, in street name or by any other indirect means. This will be the case whether an investor

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chooses to be an indirect owner of a senior debt security or has no choice because we are issuing the senior debt securities only in global form.

For example, once we make a payment or give a notice to the registered holder, we have no further responsibility for that payment or notice even if that holder is required, under agreements with depositary participants or customers or by law, to pass it along to the indirect owners but does not do so. Similarly, if we want to obtain the approval of the holders for any purpose—for example, to amend the indenture for a series of senior debt securities or to relieve us of the consequences of a default or of our obligation to comply with a particular provision of an indenture—we would seek the approval only from the registered holders, and not the indirect owners, of the relevant senior debt securities. Whether and how the registered holders contact the indirect owners is up to the registered holders.

When we refer to *you* in this prospectus, we mean all purchasers of the senior debt securities being offered by this prospectus and the applicable prospectus supplements, whether they are the registered holders or only indirect owners of those senior debt securities. When we refer to *your* senior debt securities in this prospectus, we mean the senior debt securities in which you will hold a direct or indirect interest.

Special Considerations for Indirect Owners. If you hold senior debt securities through a bank, broker or other financial institution, either in book-entry form or in street name, you should check with your own institution to find out:

- how it handles securities payments and notices;
- whether it imposes fees or charges;
- how it would handle a request for the holders' consent, if ever required;
- how it would exercise rights under the senior debt securities if there were a default or other event triggering the need for holders to act to protect their interests; and
- if the senior debt securities are in book-entry form, how the depositary's rules and procedures will affect these matters.

What is a Global Security?

Unless otherwise noted in the applicable prospectus supplement, we will issue each senior debt security in book-entry form only. Each senior debt security issued in book-entry form will be represented by a global senior debt security that we deposit with and register in the name of one or more financial institutions or clearing systems, or their nominees, which we select. A financial institution or clearing system that we select for any senior debt security for this purpose is called the depositary for that senior debt security. A senior debt security will usually have only one depositary but it may have more. Each series of senior debt securities will have one or more of the following as the depositaries:

- The Depository Trust Company, New York, New York (DTC);
- Euroclear Bank SA/NV (Euroclear);
- Clearstream Banking, S.A. (Clearstream); or
- any other clearing system or financial institution named in the applicable prospectus supplements.

The depositaries named above may also be participants in one another's systems. Thus, for example, if DTC is the depositary for a global senior debt security, investors may hold beneficial interests in that senior debt security through Euroclear or Clearstream, as DTC participants. The depositary or depositaries for your senior debt securities will be named in the applicable prospectus supplements; if none is named, the depositary will be DTC.

A global senior debt security may represent one or any other number of individual senior debt securities. Generally, all senior debt securities represented by the same global senior debt security will have the same terms. We may, however, issue a global senior debt security that represents multiple senior debt securities of the same kind, such as senior debt securities that have different terms and are issued at different times. We call this kind of global senior debt security a master global senior debt security. The applicable prospectus supplements will not indicate whether your senior debt securities are represented by a master global senior debt security.

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A global senior debt security may not be transferred to or registered in the name of anyone other than the depositary or its nominee, unless special termination situations arise. We describe those situations below under *Holder's Option to Obtain a Non-Global Security; Special Situations When a Global Security Will Be Terminated*. As a result of these arrangements, the depositary, or its nominee, will be the sole registered owner and holder of all senior debt securities represented by a global senior debt security, and investors will be permitted to own only indirect interests in a global senior debt security. Indirect interests must be held by means of an account with a broker, bank or other financial institution that in turn has an account with the depositary or with another institution that does. Thus, an investor whose senior debt security is represented by a global senior debt security will not be a holder of the senior debt security, but only an indirect owner of an interest in the global senior debt security.

If an applicable prospectus supplement for a particular senior debt security indicates that the senior debt security will be issued in global form only, then the senior debt security will be represented by a global senior debt security at all times unless and until the global senior debt security is terminated. We describe the situations in which this can occur below under *Holder's Option to Obtain a Non-Global Security; Special Situations When a Global Security Will Be Terminated*. If termination occurs, we may issue the senior debt securities through another book-entry clearing system or decide that the senior debt securities may no longer be held through any book-entry clearing system.

Special Considerations for Global Securities. As an indirect owner, an investor's rights relating to a global senior debt security will be governed by the account rules of the depositary and those of the investor's bank, broker, financial institution, and equity compensation plans not approved by security holders.

Total

6,228,000 \$6.27 1,409,165

Item 13. Certain Relationships and Related Transactions and Director Independence.

The required information will be contained in the Proxy Statement under the captions "Independence" and "Related Party Transactions" and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services.

The required information will be contained in the Proxy Statement under the caption "Independent Accountants" and is incorporated herein by reference.

Item 15. Exhibits and Financial Statement Schedules.

(a) The financial statements and schedule filed herewith are set forth on the Index to Financial Statements and Schedule of the separate financial section of this annual report, which is incorporated herein by reference.

(b) Exhibits

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

- 3.1 Restated Articles of Incorporation, as amended as of May 1, 2013. (Company's Form 10-Q filed May 8, 2013).
- 3.2 Amended and Restated Bylaws (Company's Form 8-K filed November 25, 2008).
- 4.3 Form of Investor Warrant to Purchase Common Stock issuable by the Company to the investor signatories to the Subscription Agreement, filed as exhibit F to the Placement Agency Agreement (Company's Form 8-K filed September 30, 2009).
- 4.13 Warrant issued to DaVita Inc.(n/k/a DaVita Healthcare Partners, Inc.) as of February 16, 2011 (Company's Form 8-K filed February 23, 2011).
- 4.18 Loan and Security Agreement, dated as of June 14, 2013, among Rockwell Medical, Inc., Rockwell Transportation, Inc. and Hercules Technology III, L.P. (Company's Form 8-K filed June 20, 2013).
- *10.1 Rockwell Medical, Inc. 1997 Stock Option Plan (Company's Proxy Statement filed April 17, 2006).
- 10.4 Licensing Agreement between the Company and Charak LLC and Dr. Ajay Gupta dated January 7, 2002 (with certain portions of the exhibit redacted pursuant to a confidential treatment order) (Company's Form 10-KSB filed April 1, 2002).
- 10.11 Amending Agreement made the 16th day of January, 2006, by and between Dr. Ajay Gupta, Charak LLC and Rockwell Medical, Inc. (Company's Form 10-KSB filed March 31, 2006).
- *10.20 Form of Nonqualified Stock Option Agreement (Director Version) (Company's Form 8-K filed December 20, 2007).
- *10.21 Form of Nonqualified Stock Option Agreement (Employee Version) (Company's Form 8-K filed December 20, 2007).
- *10.36 Amendment No. 3 to Rockwell Medical, Inc. 2007 Long Term Incentive Plan (Company's Proxy Statement filed April 15, 2010).
- *10.43 Form of Amendment to 2010 Restricted Stock Award Agreement as of March 7, 2012 with Robert L. Chioini, Thomas E. Klema, and Dr. Ajay Gupta (Company's Current Report on Form 8-K dated March 7, 2012)
- *10.44 Form of Amendment to 2008 Restricted Stock Award Agreement as of May 14, 2012 with Robert L. Chioini and Thomas E. Klema (Company's Current Report on Form 8-K dated May 16, 2012)

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- *10.45 Rockwell Medical, Inc. Amended and Restated 2007 Long Term Incentive Plan, as amended effective May 24, 2012 (incorporated by reference to the Company's Proxy Statement for the 2012 Annual Meeting of Shareholders filed on April 13, 2012).
- *10.46 Form of restricted stock award agreement (Company's Current Report on Form 8-K dated June 14, 2012).
- *10.47 Form of Amendment to 2010 Restricted Stock Award Agreement as of August 3, 2012 with Robert L. Chioini, Thomas E. Klema, and Dr. Ajay Gupta (Company's Current Report on Form 8-K filed August 3, 2012).
- 10.50 Common Stock Purchase Agreement, dated March 20, 2013, between the Company and the investors party thereto (Company's Form 8-K filed March 20, 2013).
- 10.51 Placement Agency Agreement, dated March 20, 2013, among the Company, Chardan Capital Markets, LLC and Newbridge Securities Corporation (Company's Form 8-K filed March 20, 2013).
- 10.52 Form of Subscription Agreement, dated March 20, 2013 (Company's Form 8-K filed March 20, 2013).
- *10.53 Rockwell Medical, Inc. Amended and Restated 2007 Long Term Incentive Plan, as amended effective April 30, 2013 (appendix to Company's Proxy Statement for the 2013 Annual Meeting of Shareholders filed March 29, 2013).
- *10.54 Form of Restricted Stock Award Agreement June 2013 (Executive Version) (Company's Form 8-K filed June 19, 2013).
- 10.55 First Amended and Restated Products Purchase Agreement dated May 8, 2013, by and between Rockwell Medical, Inc. and DaVita Healthcare Partners, Inc. (with certain portions redacted pursuant to a confidential treatment order) (Company's Form 10-Q filed August 1, 2013).
- 14.1 Rockwell Medical, Inc. Code of Ethics (Company's Proxy Statement filed April 23, 2004).
- 21.1 List of Subsidiaries (Company's Form SB-2 (file No. 333-31991)).
- 23.1 Consent of Plante & Moran, PLLC.
- 31.1 Certification of Chief Executive Officer Pursuant to Rule 13a-14(a).
- 31.2 Certification of Chief Financial Officer Pursuant to Rule 13a-14(a).
- 32.1 Certification of the Chief Executive Officer and Chief Financial Officer, Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Extension Schema
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase
- 101.DEF XBRL Taxonomy Extension Definition Database
- 101.LAB XBRL Taxonomy Extension Label Linkbase
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase

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Current management contracts or compensatory plans or arrangements.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
Rockwell Medical, Inc. and Subsidiary

We have audited the accompanying consolidated balance sheets of Rockwell Medical, Inc. and Subsidiary (the Company) as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2013. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Rockwell Medical, Inc. and Subsidiary at December 31, 2013 and 2012, and the consolidated results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Rockwell Medical, Inc. and Subsidiary's internal control over financial reporting as of December 31, 2013, based on criteria established in the 1992 Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 7, 2014 expressed an unqualified opinion on the effectiveness of internal control over financial reporting.

/s/ Plante & Moran, PLLC

Clinton Township, Michigan
March 7, 2014

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
Rockwell Medical, Inc. and Subsidiary

We have audited Rockwell Medical, Inc. and Subsidiary's internal control over financial reporting as of December 31, 2013, based on criteria established in the 1992 Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Rockwell Medical, Inc. and Subsidiary maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in the 1992 Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Rockwell Medical, Inc. and Subsidiary (the Company) as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2013 and related financial statement schedule and our report dated March 7, 2014 expressed an unqualified opinion thereon.

/s/ Plante & Moran, PLLC

Clinton Township, Michigan
March 7, 2014

ROCKWELL MEDICAL, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

As of December 31, 2013 and 2012

	December 31, 2013	December 31, 2012
ASSETS		
Cash and Cash Equivalents	\$ 11,881,451	\$ 4,711,730
Investments Available for Sale	12,034,622	
Accounts Receivable, net of a reserve of \$37,000 in 2013 and \$26,000 in 2012	4,578,319	4,431,932
Inventory	2,799,648	2,649,639
Other Current Assets	623,734	1,356,131
Total Current Assets	31,917,774	13,149,432
Property and Equipment, net	1,648,949	1,858,442
Intangible Assets	499,715	666,744
Goodwill	920,745	920,745
Other Non-current Assets	1,374,941	429,723
Total Assets	\$ 36,362,124	\$ 17,025,086
LIABILITIES AND SHAREHOLDERS' EQUITY		
Note Payable Capitalized Lease Obligations	\$ 2,308,145	\$
Capitalized Lease Obligations Capitalized Lease Obligations		2,280
Accounts Payable	8,686,153	14,833,565
Accrued Liabilities	6,647,828	12,015,978
Customer Deposits	207,545	135,133
Total Current Liabilities	17,849,671	26,986,956
Long Term Debt	17,916,914	
Shareholders' Equity:		
Common Shares, no par value, 40,110,661 and 21,494,696 shares issued and outstanding	154,457,878	92,866,458
Common Share Purchase Warrants, 983,071 and 2,233,240 warrants issued and outstanding	4,895,811	7,178,929
Accumulated Deficit	(158,790,569)	(110,007,257)
Accumulated Other Comprehensive Income	32,419	
Total Shareholders' Equity (Deficit)	595,539	(9,961,870)
Total Liabilities And Shareholders' Equity	\$ 36,362,124	\$ 17,025,086

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

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ROCKWELL MEDICAL, INC. AND SUBSIDIARY

CONSOLIDATED INCOME STATEMENTS

For The Years Ended December 31, 2013, 2012 and 2011

	2013	2012	2011
Sales	\$ 52,379,543	\$ 49,842,392	\$ 48,966,231
Cost of Sales	45,720,323	43,148,965	43,323,321
Gross Profit	6,659,220	6,693,427	5,642,910
Selling, General and Administrative	14,336,449	12,683,860	9,522,305
Research and Product Development	39,382,037	48,271,649	17,805,362
Operating Income (Loss)	(47,059,266)	(54,262,082)	(21,684,757)
Interest and Investment Income	98,101	241,518	244,049
Interest (Expense)	(1,822,147)	(951)	(1,844)
Income (Loss) Before Income Taxes	(48,783,312)	(54,021,515)	(21,442,552)
Income Tax Expense			2,005
Net Income (Loss)	\$ (48,783,312)	\$ (54,021,515)	\$ (21,444,557)
Basic And Diluted Earnings (Loss) Per Share	\$ (1.48)	\$ (2.65)	\$ (1.21)

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

ROCKWELL MEDICAL, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For The Years Ended December 31, 2013, 2012 and 2011

	2013	2012	2011
Net Income (Loss)	\$ (48,783,312)	\$ (54,021,515)	\$ (21,444,557)
Reclassification of Losses Included in Net Loss		67,303	84,590
Unrealized Gain (Loss) on Available-for-Sale Investments	32,419	213,809	(152,079)
Comprehensive Income (Loss)	\$ (48,750,893)	\$ (53,740,403)	\$ (21,512,046)

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

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ROCKWELL MEDICAL, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For The Years Ended December 31, 2013, 2012 and 2011

	COMMON SHARES		PURCHASE WARRANTS		ACCUMULATED OTHER COMPREHENSIVE INCOME		TOTAL SHAREHOLDER'S EQUITY
	SHARES	AMOUNT	WARRANTS	AMOUNT	DEFICIT	(LOSS)	
Balance as of December 31, 2010	17,513,608	\$ 57,017,236	3,338,569	\$ 8,275,509	\$ (34,541,185)	\$ (213,623)	\$ 30,537,937
Net Loss					(21,444,557)		(21,444,557)
Reclassification of Losses Included in Net Loss						84,590	84,590
Unrealized (Loss) on Available-for-Sale Investments						(152,079)	(152,079)
Issuance of Common Shares	397,054	719,484					719,484
Issuance of Purchase Warrants			100,000	312,325			312,325
Exercise of Purchase Warrants	799,340	5,361,135	(831,129)	(1,483,859)			3,877,276
Additional Paid In Capital		244,289					244,289
Stock Option Based Expense		3,469,703					3,469,703
Restricted Stock Amortization		596,000					596,000
Balance as of December 31, 2011	18,710,002	\$ 67,407,847	2,607,440	\$ 7,103,975	\$ (55,985,742)	\$ (281,112)	\$ 18,244,968
Net Loss					(54,021,515)		(54,021,515)
Reclassification of Losses Included in Net Loss						67,303	67,303
Unrealized Gain on Available-for-Sale Investments						213,809	213,809
Issuance of Common Shares	2,296,477	16,252,695					16,252,695
Shares Issued in Exchange for Services	200,000	1,854,000					1,854,000
Exercise of Purchase Warrants	288,217	2,372,192	(374,200)	(393,463)			1,978,729
Purchase Warrants Expense				468,417			468,417
Stock Option Based Expense		3,903,795					3,903,795
Restricted Stock Amortization		1,075,929					1,075,929
Balance as of December 31, 2012	21,494,696	\$ 92,866,458	2,233,240	\$ 7,178,929	\$ (110,007,257)	\$	\$ (9,961,870)
Net Loss					(48,783,312)		(48,783,312)
Unrealized Gain on Available-for-Sale Investments						32,419	32,419
Issuance of Common Shares	18,285,132	50,431,250					50,431,250
Shares Issued in Exchange for Services	200,000	780,678					780,678
Exercise of Purchase Warrants	130,833	1,593,003	(130,833)	(428,021)			1,164,982
Expiration of Purchase Warrants		2,937,293	(1,119,336)	(2,937,293)			
Purchase Warrants Expense				1,082,196			1,082,196
Stock Option Based Expense		3,887,695					3,887,695
Restricted Stock Amortization		1,961,501					1,961,501
Balance as of December 31, 2013	40,110,661	\$ 154,457,878	983,071	\$ 4,895,811	\$ (158,790,569)	\$ 32,419	\$ 595,539

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

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ROCKWELL MEDICAL, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2013, 2012 and 2011

	2013	2012	2011
Cash Flows From Operating Activities:			
Net (Loss)	\$ (48,783,312)	\$ (54,021,515)	\$ (21,444,557)
Adjustments To Reconcile Net Loss To Net Cash Used In Operating Activities:			
Depreciation and Amortization	1,007,411	1,087,397	1,176,007
Share Based Compensation Non-employee	1,862,874	2,322,417	312,325
Share Based Compensation Employees	5,849,196	4,979,724	4,065,703
Loss (Gain) on Disposal of Assets	16,410	17,876	29,093
Loss on Sale of Investments Available for Sale		67,303	84,590
Amortization of Debt Issuance Costs	227,059		
Non-Cash Interest Expense	225,059		
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(146,387)	(209,116)	284,480
(Increase) Decrease in Inventory	(150,009)	(145,512)	432,751
(Increase) Decrease in Other Assets	669,896	1,855,787	(2,457,370)
Increase (Decrease) in Accounts Payable	(6,147,412)	9,469,028	1,705,030
Increase (Decrease) in Other Liabilities	(5,295,738)	3,829,767	5,028,846
Changes in Assets and Liabilities	(11,069,650)	14,799,954	4,993,737
Cash (Used In) Operating Activities	(50,664,953)	(30,746,844)	(10,783,102)
Cash Flows From Investing Activities:			
Purchase of Investments Available for Sale	(12,002,203)	(2,012,671)	(2,000,000)
Sale of Investments Available for Sale		14,037,255	1,975,244
Purchase of Equipment	(654,197)	(507,788)	(421,043)
Proceeds on Sale of Assets	6,898	1,578	2,985
Purchase of Intangible Assets			(145,121)
Cash Provided By (Used In) Investing Activities	(12,649,502)	11,518,374	(587,935)
Cash Flows From Financing Activities:			
Proceeds from Issuance of Common Shares and Purchase Warrants	51,596,232	18,231,424	4,841,049
Proceeds from the Issuance of Notes Payable	20,000,000		
Debt Issuance Costs	(1,109,776)		
Payments on Notes Payable and Capital Lease Obligations	(2,280)	(6,470)	(18,215)
Cash Provided By Financing Activities	70,484,176	18,224,954	4,822,834
Increase (Decrease) In Cash	7,169,721	(1,003,516)	(6,548,203)
Cash At Beginning Of Period	4,711,730	5,715,246	12,263,449
Cash At End Of Period	\$ 11,881,451	\$ 4,711,730	\$ 5,715,246

Supplemental Cash Flow disclosure

	2013	2012	2011
Interest Paid	\$ 1,154,752	\$ 951	\$ 1,844
Non-Cash Investing and Financing Activity			
Acquisition of Intangible Assets	\$	\$	\$ 550,000

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

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ROCKWELL MEDICAL, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

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

We are currently developing unique, proprietary renal drug therapies. These novel renal drug therapies support disease management initiatives to improve the quality of life and care of dialysis patients and are designed to deliver safe and effective therapy, while decreasing drug administration costs and improving patient convenience and outcome. We have obtained global licenses for certain dialysis related drugs which we are developing and seeking FDA approval to market.

We manufacture, sell and distribute hemodialysis concentrates and other ancillary medical products and supplies used in the treatment of patients with End Stage Renal Disease, or "ESRD". We supply our products to medical service providers who treat patients with kidney disease. Our products are used to cleanse patients' blood and replace nutrients lost during the kidney dialysis process. We primarily sell our products in the United States.

We are regulated by the Federal Food and Drug Administration ("FDA") under the Federal Drug and Cosmetics Act, as well as by other federal, state and local agencies. We have received 510(k) approval from the FDA to market hemodialysis solutions and powders. We also have 510(k) approval to sell our Dri-Sate Dry Acid Concentrate product line and our Dri-Sate Mixer.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Our consolidated financial statements include our accounts and the accounts for our wholly owned subsidiary, Rockwell Transportation, Inc.

All intercompany balances and transactions have been eliminated in consolidation.

Revenue Recognition

We recognize revenue at the time we transfer title to our products to our customers consistent with generally accepted accounting principles. Generally, we recognize revenue when our products are delivered to our customer's location consistent with our terms of sale. For international shipments, title generally transfers when the product is shipped.

We require certain customers, mostly international customers, to pay for product prior to the transfer of title to the customer. Deposits received from customers and payments in advance for orders are recorded as liabilities under Customer Deposits until such time as orders are filled and title transfers to the customer consistent with our terms of sale. At December 31, 2013 and 2012 we had customer deposits of \$207,545 and \$135,133, respectively.

Shipping and Handling Revenue and Costs

Our products are generally priced on a delivered basis with the price of delivery included in the overall price of our products which is reported as sales. Separately identified freight and handling charges are also included in sales.

ROCKWELL MEDICAL, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

We include shipping and handling costs, including expenses of Rockwell Transportation, Inc., in cost of sales.

Cash and Cash Equivalents

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

Investments Available for Sale

Investments Available for Sale are short-term investments, consisting principally of investments in short term duration bond funds, and are stated at fair value based upon observed market prices (Level 1 in the fair value hierarchy). Unrealized holding gains or losses on these securities are included in accumulated other comprehensive income (loss). Realized gains and losses, including declines in value judged to be other-than-temporary on available-for-sale securities are included as a component of other income or expense.

Accounts Receivable

Accounts receivable are stated at invoice amounts. The carrying amount of trade accounts receivable is reduced by an allowance for doubtful accounts that reflects our best estimate of accounts that may not be collected. We review outstanding trade accounts receivable balances and based on our assessment of expected collections, we estimate the portion, if any, of the balance that may not be collected as well as a general valuation allowance for other accounts receivable based primarily on historical experience. All accounts or portions thereof deemed to be uncollectible are written off to the allowance for doubtful accounts.

Inventory

Inventory is stated at the lower of cost or net realizable value. Cost is determined on the first-in first-out (FIFO) method.

Property and Equipment

Property and equipment are recorded at cost. Expenditures for normal maintenance and repairs are charged to expense as incurred. Property and equipment are depreciated using the straight-line method over their useful lives, which range from three to ten years. Leasehold improvements are amortized using the straight-line method over the shorter of their useful lives or the related lease term.

Licensing Fees

License fees related to the technology, intellectual property and marketing rights for dialysate iron covered under certain issued patents have been capitalized and are being amortized over the life of the related patents which is generally 17 years.

Goodwill, Intangible Assets and Long Lived Assets

The recorded amounts of goodwill and other intangibles from prior business combinations are based on management's best estimates of the fair values of assets acquired and liabilities assumed at

ROCKWELL MEDICAL, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

the date of acquisition. Goodwill is not amortized; however, it must be tested for impairment at least annually. Amortization continues to be recorded for other intangible assets with definite lives over their estimated useful lives. Intangible assets subject to amortization are reviewed for potential impairment whenever events or circumstances indicate that carrying amounts may not be recoverable.

An impairment review of goodwill, intangible assets, and property and equipment is performed annually or whenever a change in condition occurs which indicates that the carrying amounts of assets may not be recoverable. Such changes may include changes in our business strategies and plans, changes to our customer contracts, changes to our product lines and changes in our operating practices. We use a variety of factors to assess the realizable value of long-lived assets depending on their nature and use.

The useful lives of other intangible assets are based on management's best estimates of the period over which the assets are expected to contribute directly or indirectly to our future cash flows. Management annually evaluates the remaining useful lives of intangible assets with finite useful lives to determine whether events and circumstances warrant a revision to the remaining amortization periods. It is reasonably possible that management's estimates of the carrying amount of goodwill and the remaining useful lives of other intangible assets may change in the near term.

Debt Issuance Costs

Debt issuance costs are capitalized and amortized over the term of the underlying debt instruments using the effective-interest rate method. Debt issuance costs are recorded as other assets.

Income Taxes

We account for income taxes in accordance with the provisions of ASC 740-10, *Income Taxes*. A current tax liability or asset is recognized for the estimated taxes payable or refundable on tax returns for the year. Deferred tax liabilities or assets are recognized for the estimated future tax effects of temporary differences between book and tax accounting and operating loss and tax credit carryforwards. A valuation allowance is established for deferred tax assets if we determine it to be more likely than not that the deferred tax asset will not be realized. The Company recognizes interest and penalties accrued related to unrecognized tax benefits as income tax expense.

The effects of tax positions are generally recognized in the financial statements consistent with amounts reflected in returns filed, or expected to be filed, with taxing authorities. For tax positions that the Company considers to be uncertain, current and deferred tax liabilities are recognized, or assets derecognized, when it is probable that an income tax liability has been incurred and the amount of the liability is reasonably estimable, or when it is probable that a tax benefit, such as a tax credit or loss carryforward, will be disallowed by a taxing authority. The amount of unrecognized tax benefits related to tax positions is insignificant.

Research and Product Development

We recognize research and product development costs as expenses as incurred. We incurred product development and research costs related to the commercial development, patent approval and regulatory approval of new products, including Triferic®, aggregating approximately \$39,382,000, \$48,272,000, and \$17,805,000 in 2013, 2012 and 2011, respectively.

ROCKWELL MEDICAL, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share Based Compensation

We measure the cost of employee services received in exchange for equity awards, including stock options, based on the grant date fair value of the awards in accordance with ASC 718-10, *Compensation - Stock Compensation*. The cost of equity based compensation is recognized as compensation expense over the vesting period of the awards.

We estimate the fair value of compensation involving stock options utilizing the Black-Scholes option pricing model. This model requires the input of several factors such as the expected option term, expected volatility of our stock price over the expected option term, and an expected forfeiture rate, and is subject to various assumptions. We believe the valuation methodology is appropriate for estimating the fair value of stock options we grant to employees and directors which are subject to ASC 718-10 requirements. These amounts are estimates and thus may not be reflective of actual future results or amounts ultimately realized by recipients of these grants.

Employee Retirement Plans

We are the sponsor of a non-contributory 401(k) Employee Savings Plan.

Earnings per Share

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

	2013	2012	2011
Basic Weighted Average Shares Outstanding	32,882,333	20,395,889	17,774,865
Effect of Dilutive Securities	-0-	-0-	-0-
Diluted Weighted Average Shares Outstanding	32,882,333	20,395,889	17,774,865

For 2013, 2012 and 2011, the dilutive effect of stock options and common share purchase warrants have not been included in the average shares outstanding for the calculation of diluted loss per share as the effect would be anti-dilutive as a result of our net loss in these periods. The table below summarizes potentially dilutive securities.

	2013	2012	2011
Stock Options	6,228,000	5,989,200	5,482,135
Range of Exercise Prices of Stock Options	\$2.79 - \$11.44	\$1.81 - \$10.20	\$0.55 - \$10.20
Common Share Purchase Warrants	983,071	2,233,240	2,607,440
Range of Exercise Prices of Warrants	\$9.55 - \$10.25	\$6.14 - \$10.25	\$6.14 - \$10.25
Unvested Restricted Common Shares	545,000	545,000	310,000

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ROCKWELL MEDICAL, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments Available for Sale

Investments Available for Sale are short-term investments, consisting principally of investments in short term duration bond funds, and are stated at fair value. Unrealized holding gains or losses on these securities are included in accumulated other comprehensive income (loss). Realized gains and losses, including declines in value judged to be other-than-temporary on available-for-sale securities are included as a component of other income or expense.

Management evaluates securities for other-than-temporary impairment ("OTTI") on a quarterly basis, and more frequently when conditions warrant such an evaluation. When evaluating investment securities, consideration is given to the length of time and the extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, and whether the Company has the intent to sell the security or more likely than not will be required to sell the security before its anticipated recovery. The assessment of whether an OTTI exists involves a high degree of subjectivity and judgment and is based on the information available to management at a point in time.

Other Comprehensive Income (Loss)

Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income. Certain changes in assets and liabilities, however, such as unrealized gains and losses on available for sale securities, are reported as a direct adjustment to the equity section of the balance sheet. Such items, along with net income (loss), are considered components of comprehensive income (loss). Accumulated Other Comprehensive Income (Loss) consists solely of unrealized gains and losses on available-for-sale investment securities.

Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain 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 reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

3. FAIR MARKET VALUE MEASUREMENTS

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provides a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable prices that are based on inputs not quoted in active markets, but corroborated by market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

ROCKWELL MEDICAL, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. FAIR MARKET VALUE MEASUREMENTS (Continued)

In determining fair value, we utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considering counterparty credit risk in its assessment of fair value. The following methods, assumptions, and valuation techniques were used to measure different financial assets and liabilities at fair value and in estimating its fair value disclosures for financial instruments.

Cash and Cash Equivalents: The carrying amounts reported in the consolidated statements of financial condition for cash and cash equivalents is deemed to approximate fair value

Investment Securities: Fair values for investment securities are determined by quoted market prices if available.

Notes Payable: The fair value of notes payable is based on the discounted value of contractual cash flows using rates currently offered for similar maturities.

Accounts receivable, Accounts Payable and Accrued Liabilities: The fair value of trade receivables and payables approximate their carrying amounts due to the short duration before collection or payment.

Based on the foregoing methods and assumptions, the carrying value and fair value of the Company's financial instruments other than trade receivables and payables are as follows (in thousands):

	Carrying value	Fair value	Level 1	Level 2	Level 3
As of December 31, 2013					
Financial assets					
Cash and cash equivalents	\$ 11,881	\$ 11,881	\$ 11,811	\$	\$
Investment securities available for sale	12,035	12,035	12,035		
Financial liabilities					
Notes Payable	20,000	20,000		20,000	
As of December 31, 2012					
Financial assets					
Cash and cash equivalents	4,712	4,712	4,712		
Investment securities available for sale					
Financial liabilities					
Notes Payable					

The Company also has certain non-financial assets that under certain conditions are subject to measurement at fair value on a non-recurring basis. No such measurements were required in 2013 or 2012.

4. INVESTMENTS IN AVAILABLE FOR SALE SECURITIES

As of December 31, 2013, we held investments in available for sale securities in several short term bond funds. These funds generally held high credit quality short term debt instruments. These debt instruments were subject to changes in fair market value due to changes in interest rates. The market value of these investments was \$12,034,622 as of December 31, 2013. In 2013 we purchased securities

ROCKWELL MEDICAL, INC. AND SUBSIDIARY**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****4. INVESTMENTS IN AVAILABLE FOR SALE SECURITIES (Continued)**

with a market value of \$12,002,203 and had unrealized gains of \$44,070 and unrealized losses of \$11,652 as of December 31, 2013.

As of December 31, 2012, we did not hold any investments in available for sale securities. In 2012, we sold securities with a market value of \$14,037,255 with an average cost basis of \$14,104,558. We realized gains of \$10,436 and losses of \$77,739 from sales of available-for-sale securities.

5. SIGNIFICANT MARKET SEGMENTS

We operate in one market segment which involves the manufacture and distribution of hemodialysis concentrates, dialysis kits and ancillary products used in the dialysis process to hemodialysis clinics. For the years ended December 31, 2013, 2012 and 2011, one customer, DaVita Healthcare Partners, Inc., accounted for 49%, 49% and 48% of our sales, respectively. Our accounts receivable from this customer were \$1,886,000 and \$2,352,000 as of December 31, 2013 and 2012, respectively. This key customer is important to our business and the loss of its business could have a material adverse effect on our business, financial condition and results of operations. No other customer accounted for more than 10% of our sales in any of the last three years.

The majority of our international sales in each of the last three years were sales to domestic distributors that were resold to end users outside the United States. Our sales to foreign customers and distributors were less than 5% of our total sales in 2013, 2012 and 2011. We have no assets outside the United States. Our total international sales, including sales to domestic distributors for resale outside the United States, aggregated 12%, 11% and 13%, of overall sales in 2013, 2012 and 2011, respectively.

6. INVENTORY

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

	2013	2012
Raw Materials	\$ 1,142,776	\$ 1,018,648
Work in Process	254,714	179,922
Finished Goods	1,402,158	1,451,069
 Total	 \$ 2,799,648	 \$ 2,649,639

ROCKWELL MEDICAL, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. PROPERTY AND EQUIPMENT

Major classes of property and equipment, stated at cost, as of December 31, 2013 and 2012 are as follows:

	2013	2012
Leasehold Improvements	\$ 517,907	\$ 463,080
Machinery and Equipment	6,398,366	6,046,055
Information Technology & Office Equipment	1,961,968	1,911,493
Laboratory Equipment	513,616	505,883
Transportation Equipment	374,035	383,711
	9,765,922	9,310,222
Accumulated Depreciation	(8,116,973)	(7,451,780)
Net Property and Equipment	\$ 1,648,949	\$ 1,858,442

Below is a summary of depreciation expense by period:

	2013	2012	2011
Depreciation expense	\$ 840,382	\$ 920,368	\$ 1,141,545

8. GOODWILL AND INTANGIBLE ASSETS

Total goodwill was \$920,745 at December 31, 2013 and 2012. We completed our annual impairment tests as of November 30, 2013 and 2012, and determined that no adjustment for impairment of goodwill was required.

We have entered into a global licensing agreement for certain patents covering a therapeutic drug compound to be delivered using our dialysate product lines. We intend to seek FDA approval for this product. We have capitalized the licensing fees paid for the rights to use this patented technology as an intangible asset.

During 2011, we acquired an abbreviated new drug application ("ANDA") for a generic version of an intravenous vitamin-D analogue, Calcitriol. Total capitalized costs related to this ANDA were approximately \$695,000. These costs are being amortized over a five year period.

	2013	2012	2011
Capitalized Licensing Fees	\$ 1,070,126	\$ 1,070,126	\$ 1,070,126
Accumulated Amortization	(570,411)	(403,382)	(236,353)
Capitalized Licensing Fees, Net of Amortization	\$ 499,715	\$ 666,744	\$ 833,773

Amortization Expense	\$ 167,029	\$ 167,029	\$ 28,005
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Our policy is to amortize licensing fees over the life of the patents pertaining to certain licensing agreements. Estimated amortization expense for licensing fees for 2014 through 2016 is approximately \$167,000 per year. Our Triferic® licensing agreement, which is with a company owned by our chief scientific officer, requires additional payments by the Company upon achievement of certain milestones.

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ROCKWELL MEDICAL, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. OTHER CURRENT ASSETS

The Company has entered into contracts with contract research organizations for the purpose of conducting human clinical research trials and advanced funds to contract research organizations to partially offset future service costs and expenses under these contracts. All such advances had been used to offset costs as of December 31, 2013. As of December 31, 2012, such advances classified as other current assets aggregated \$852,555.

10. NOTES PAYABLE

In 2013, the Company entered into a loan and security agreement (the "Loan Agreement") with Hercules Technology III, L.P. ("Hercules") pursuant to which the Company received a loan in the aggregate principal amount of \$20.0 million. The Company is required to repay the aggregate principal balance under the Loan Agreement in 30 equal monthly installments of principal and interest commencing on September 1, 2014. The Company will be required to make monthly interest only payments through August 31, 2014.

The loan will mature and become due on March 1, 2017, subject to adjustment as provided below, and will bear interest at the greater of (i) 12.50% plus the prime rate as reported in The Wall Street Journal minus 3.25%, or (ii) 12.50%. The loan may be prepaid at any time after June 14, 2014 without penalty and will mature and become due upon any change in control of the Company. The Company paid debt issuance costs of \$1.1 million including a fee of \$0.2 million at closing to Hercules, which are recorded as a noncurrent asset, and is required to pay a fee of \$1.1 million upon any prepayment or at maturity. The \$1.1 million fee due upon any prepayment or at maturity is being accrued using the effective interest rate method over the life of the loan. The effective interest rate of the loan is 14.5%.

In connection with the loan, the Company granted Hercules a security interest in substantially all of the Company's assets other than motor vehicles, real property and certain intellectual property and other interests. The Loan Agreement provides for standard indemnification of Hercules and contains representations, warranties and non-financial covenants that, among other things, limit the Company's ability to incur additional indebtedness, transfer assets, acquire assets of or merge with another entity and pay dividends to the Company's shareholders. The Loan Agreement defines event of default, to include, among other events, the occurrence of an event that results in a material adverse effect upon the Company's business operations, properties, assets or condition (financial or otherwise), the collateral or the perfection of the security interest, or the Company's ability to perform its obligations under the Loan Agreement.

As of December 31, 2013, the balance of the above debt matures as follows:

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

ROCKWELL MEDICAL, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. ACCRUED LIABILITIES

We had the following accrued liabilities as of December 31, 2013 and 2012:

	2013	2012
Accrued Research & Development Expense	\$ 3,237,093	\$ 9,832,357
Accrued Compensation and Benefits	1,490,953	1,118,475
Other Accrued Liabilities	1,919,782	1,065,146
Total Accrued Liabilities	\$ 6,647,828	\$ 12,015,978

12. OPERATING LEASES

We lease our production facilities and administrative offices as well as certain equipment used in our operations. The lease terms range from monthly to seven years. We occupy a 51,000 square foot facility and a 17,500 square foot facility in Wixom, Michigan under a lease expiring in August 2015. We also occupy a 51,000 square foot facility in Grapevine, Texas under a lease expiring in December 2015. In addition, we lease a 57,000 square foot facility in Greer, South Carolina under a lease expiring February 2016.

	2013	2012	2011
Rent Expense Recognized Under Operating Leases	\$ 2,163,281	\$ 1,955,626	\$ 2,001,094

Future minimum rental payments under operating lease agreements are as follows:

Year ending December 31, 2014	\$ 1,500,697
Year ending December 31, 2015	1,163,791
Year ending December 31, 2016	765,542
Year ending December 31, 2017	740,058
Year ending December 31, 2018	732,079
Year ending December 31, 2019 and thereafter	599,559
Total	\$ 5,501,726

13. INCOME TAXES

A reconciliation of income tax expense at the statutory rate to income tax expense at our effective tax rate is as follows:

	2013	2012	2011
Tax Expense Computed at 34% of Pretax Income	\$ (16,583,000)	\$ (18,367,000)	\$ (7,291,000)
State Income Taxes			2,005
Effect of Change in Valuation Allowance	(16,583,000)	(18,367,000)	(7,291,000)
Total Income Tax Expense	\$ -0-	\$ -0-	\$ 2,005

ROCKWELL MEDICAL, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. INCOME TAXES (Continued)

The details of the net deferred tax asset are as follows:

	December 31,	
	2013	2012
Deferred tax assets:		
Net Operating Loss Carryforward	\$ 49,426,000	\$ 33,016,000
Stock Based Compensation	6,839,000	5,398,000
Accrued Expenses	334,000	274,000
Inventories	65,000	66,000
Prepaid Expenses		51,000
Workers' Compensation Reserve	60,000	
Accounts Receivable	13,000	9,000
Total Deferred Tax Assets	56,737,000	38,814,000
Deferred Tax Liabilities:		
Tax over Book Depreciation	118,000	276,000
Goodwill & Intangible Assets	225,000	272,000
Prepaid Expenses	122,000	
Total Deferred Tax Liabilities	465,000	548,000
Subtotal	56,272,000	38,266,000
Valuation Allowance	(56,272,000)	(38,266,000)
Net Deferred Tax Asset	\$ -0-	\$ -0-

Deferred tax assets result primarily from net operating loss carryforwards. For tax purposes, we have net operating loss carryforwards of approximately \$145,371,000 that expire between 2018 and 2033.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized upon the generation of future taxable income during the periods in which those temporary differences become deductible. We recognized no income tax expense or benefit for the years ended December 31, 2013, 2012 and 2011. While we anticipate generating income within the next year or two, we expect to incur operating losses until our drug products are approved to be marketed and manufactured. Considered together with our limited history of operating income and our net losses in 2013, 2012 and 2011, management has placed a full valuation allowance against the net deferred tax assets as of December 31, 2013 and 2012. The portion of the valuation allowance resulting from excess tax benefits on share based compensation that would be credited directly to contributed capital if recognized in subsequent periods is \$3.7 million.

The Company accounts for its uncertain tax positions in accordance with ASC 740-10, *Income Taxes* and the amount of unrecognized tax benefits related to tax positions is not significant at December 31, 2013 and 2012.

ROCKWELL MEDICAL, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. CAPITAL STOCK

Our authorized capital stock consists of 2,000,000 preferred shares, none of which were issued or outstanding at December 31, 2013, 2012 and 2011, and 120,000,000 common shares, no par value per share, of which the following shares were outstanding:

	2013	2012	2011
Shares outstanding as of December 31,	40,110,661	21,494,696	18,710,002

Summary of Share Issuances:

Shares Issuances related to Equity Compensation:

Shares issued upon exercise of stock options by employees	478,411	216,477	397,054
Proceeds realized from stock option exercises	\$ 766,926	\$ 132,026	\$ 719,484
Average exercise price of options exercised	\$ 1.60	\$ 0.61	\$ 1.81

Restricted Stock Grants	310,000	235,000	
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Share issuances related to Warrant Exercises

Shares issued upon the exercise of warrants	130,833	288,217	799,340
Proceeds realized from warrant exercises	\$ 1,164,982	\$ 1,982,720	\$ 3,877,276

Share issuances related to Equity Offerings

Shares issued pursuant to equity offerings	17,496,721	1,845,000	
Proceeds realized from equity offerings	\$ 49,664,324	\$ 16,120,669	

Share issuances in Exchange for Services

Share issuances in Exchange for Services	200,000	200,000	
Value of Shares issued in Exchange for Services	\$ 780,678	\$ 1,854,000	

Common Shares

Holders of the common shares are entitled to one vote per share on all matters submitted to a vote of our shareholders and are entitled to receive dividends when and if declared by the Board of Directors. The Board is authorized to issue additional common shares within the limits of the Company's Articles of Incorporation without further shareholder action, subject to applicable stock exchange rules.

Warrants

We had 983,071 common share purchase warrants outstanding at December 31, 2013, all of which were exercisable as of December 31, 2013. During 2013, we agreed to extend the term of 1,008,336 common share purchase warrants until July 31, 2013 and incurred an expense of \$927,669 related to the extension of these warrants.

We had 2,233,240 common share purchase warrants outstanding at December 31, 2012, of which 2,133,240 were exercisable as of December 31, 2012. During 2012, we agreed to extend the term of 1,079,169 common share purchase warrants until January 28, 2013 and incurred an expense of \$280,600 related to the extension of these warrants. We also extended the term of 80,000 common share purchase warrants until November 28, 2013 and incurred an expense of \$33,600 related to the extension of the term of these warrants.

ROCKWELL MEDICAL, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. CAPITAL STOCK (Continued)

We had 2,607,440 common share purchase warrants outstanding at December 31, 2011 of which 2,507,440 were exercisable as of December 31, 2011. During 2011, we issued 100,000 warrants with an exercise price of \$10.25 related to a supply agreement with a major customer. Those warrants are exercisable after December 31, 2013 and expire March 31, 2014. Also, during 2011, we agreed to extend the term of 245,000 warrants issued in November 2008 in consideration for services. The term was extended from November 5, 2011 to May 4, 2012. We recognized an expense of \$165,850 related to the extension of the term of these warrants.

Warrants were valued using the Black Scholes model. In 2013, 2012 and 2011 we recognized \$1,082,196, \$468,417 and \$312,000 in expense related to services and consideration provided in exchange for warrants.

Outstanding warrants by exercise price consisted of the following as of December 31, 2013, 2012 and 2011:

Exercise Price	Expiration Date	2013	2012	2011
\$9.55	10/5/2014	883,071	883,071	883,071
\$10.25	3/31/2014	100,000	100,000	100,000
\$7.18	1/28/2013		1,059,169	1,079,169
\$8.00	5/28/2013		104,000	105,000
\$10.00	11/28/2013		80,000	80,000
\$6.14	3/8/2013		7,000	15,000
\$7.00	5/4/2012			200,000
\$9.55	10/5/2012			85,200
\$6.50	9/30/2012			60,000
Total		983,071	2,233,240	2,607,440

15. LONG TERM INCENTIVE PLAN & STOCK OPTIONS

Long Term Incentive Plan & Stock Options

The Board of Directors adopted the Rockwell Medical, Inc., 2007 Long Term Incentive Plan ("LTIP") on April 11, 2007 as a replacement for the 1997 Stock Option Plan (the "Old Plan") which was terminated as to future grants. No options were granted under the Old Plan after 2006. There are 7,750,000 common shares reserved for issuance under the LTIP. The Compensation Committee of the Board of Directors (the "Committee") is responsible for the administration of the LTIP including the grant of stock based awards and other financial incentives including performance based incentives to employees, non-employee directors and consultants.

The Committee determines the terms and conditions of options and other equity based incentives including, but not limited to, the number of shares, the exercise price, term of option and vesting requirements. The Committee approved stock option grants during 2013, 2012 and 2011 and restricted stock grants during 2013 and 2012. The stock option awards were granted with an exercise price equal to the market price of the Company's stock on the date of the grant. The options expire 10 years from the date of grant or upon termination of employment and generally vest in three equal annual installments beginning on the first anniversary of the date of grant.

ROCKWELL MEDICAL, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. LONG TERM INCENTIVE PLAN & STOCK OPTIONS (Continued)

Restricted Stock Grants

We granted 310,000 and 235,000 restricted shares in 2013 and 2012, respectively under the LTIP. These restricted stock grants were valued at the market price on the date of grant. The 2013 grant vests on the fourteen month anniversary of the grant with vesting conditioned upon continued employment with the Company. The 2012 grant vests two years after the date of grant with vesting conditioned upon continued employment with the Company.

	2013	2012	2011
Restricted Shares Granted	310,000	235,000	
Market Value Per Share on Grant Date	\$ 3.94	\$ 9.45	
Expense related to All Restricted Shares	\$ 1,961,501	\$ 1,075,929	\$ 596,000
Unearned Stock Based Compensation for All Restricted Stock Awards Attributable to Future Periods.	\$ 1,147,935		

Stock Option Grants

Our standard stock option agreement allows for the payment of the exercise price of vested stock options either through cash remittance in exchange for newly issued shares, or through non-cash exchange of previously issued shares held by the recipient for at least six months in exchange for our newly issued shares. The latter method results in no cash being received by us, but also results in a lower number of total shares being outstanding subsequently as a direct result of this exchange of shares. Shares returned to us in this manner would be retired.

In 2013, 2012 and 2011, the Company received cash proceeds of \$766,926, \$132,026 and \$719,484, respectively, in exchange for shares issued upon the exercise of options during the year. No income tax benefits were recognized during 2013, 2012 and 2011 related to stock option activity as the Company has a full valuation allowance recorded against its deferred tax assets. However, tax benefits for the excess of the value of the shares issued over the price paid of \$609,000, \$494,000 and \$772,000, were created in 2013, 2012, and 2011. The cumulative excess tax benefit at December 31, 2013 is \$3.0 million, which when realized, will be credited directly to stockholders' equity.

ROCKWELL MEDICAL, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. LONG TERM INCENTIVE PLAN & STOCK OPTIONS (Continued)

A summary of the status of the LTIP and the Old Plan is as follows:

	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	AGGREGATE INTRINSIC VALUE
Outstanding at December 31, 2010	5,289,334	4.52	\$ 17,879,160
Granted	839,000	8.54	
Exercised	(416,201)	1.81	\$ 2,571,874
Forfeited	(229,998)	6.61	
Outstanding at December 31, 2011	5,482,135	5.23	\$ 17,761,008
Granted	871,000	9.62	
Exercised	(223,601)	0.59	\$ 1,486,470
Forfeited	(140,334)	8.66	
Outstanding at December 31, 2012	5,989,200	5.95	\$ 12,559,074
Granted	920,500	5.74	
Exercised	(623,700)	1.23	\$ 1,920,557
Forfeited	(58,000)	8.31	
Outstanding at December 31, 2013	6,228,000	6.27	\$ 25,956,880

RANGE OF EXERCISE PRICES	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
	NUMBER OF OPTIONS	REMAINING CONTRACTUAL LIFE	WEIGHTED EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
\$2.79 to \$4.98	1,894,600	0.2 - 9.6 yrs.	\$ 3.71	1,759,100	\$ 3.72
\$5.34 to \$7.13	2,799,400	3.8 - 9.7 yrs.	\$ 6.43	2,010,467	\$ 6.56
\$8.35 to 11.44	1,534,000	5.8 - 9.8 yrs.	\$ 9.15	744,000	\$ 8.94
Total	6,228,000	5.6 yrs.	\$ 6.27	4,513,567	\$ 5.85
Intrinsic Value	\$ 25,956,880			\$ 20,726,770	

ROCKWELL MEDICAL, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. LONG TERM INCENTIVE PLAN & STOCK OPTIONS (Continued)

	NUMBER OF UNVESTED OPTIONS	WEIGHTED AVERAGE FAIR MARKET VALUE AT GRANT DATE
As of December 31, 2010	1,609,111	
Granted	839,000	\$ 5.06
Forfeited	(229,998)	
Vested	(688,780)	
As of December 31, 2011	1,529,333	
Granted	871,000	\$ 5.93
Forfeited	(140,334)	
Vested	(680,999)	
As of December 31, 2012	1,579,000	
Granted	920,500	\$ 3.33
Forfeited	(58,000)	
Vested	(727,067)	
As of December 31, 2013	1,714,433	

The Company values stock options awarded using the Black-Scholes method. Assumptions used in the stock option valuations were :

	2013	2012	2011
Volatility of share price	59 - 67%	64 - 65%	63 - 64%
Risk free interest rate	0.1 - 2.0%	0.8 - 1.2%	1.1 - 2.6%
Expected option life	1 - 6 yrs.	6 yrs.	6 yrs.
Dividend Yield	0.0%	0.0%	0.0%

We believe this valuation methodology is appropriate for estimating the fair value of stock options we grant to employees and directors which are subject to ASC 718-10 requirements. We primarily base our determination of expected volatility through our assessment of the historical volatility of our common shares. We do not believe that we are able to rely on our historical stock option exercise and post-vested termination activity to provide accurate data for estimating our expected term for use in determining the fair value of these options. Therefore, as allowed by Staff Accounting Bulletin (SAB) No. 107, *Share-Based Payment*, we have opted to use the simplified method for estimating the expected option term equal to the midpoint between the vesting period and the contractual term. The contractual term of the option is 10 years from the date of grant and the vesting term of the option is three years from date of grant. Risk free interest rates utilized are based upon published U.S. Treasury yield curves at the date of the grant for the expected option term. We also granted 25,000 options under a one year vesting term during 2013.

For the years ended December 31, 2013, 2012 and 2011, we recognized compensation expense of \$3,877,695, \$3,903,795 and \$3,469,703, respectively related to options granted to employees under the LTIP with a corresponding credit to common stock. At December 31, 2013, the amount of unrecorded stock-based compensation expense for stock options attributable to future periods was approximately

ROCKWELL MEDICAL, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. LONG TERM INCENTIVE PLAN & STOCK OPTIONS (Continued)

\$4,117,156 which is expected to be amortized to expense over the remaining vesting periods of the options of 1 to 33 months.

As of December 31, 2013, the remaining number of common shares available for equity awards under the LTIP was 1,409,165.

16. RISK MANAGEMENT

Insurance

We evaluate various kinds of risk that we are exposed to in our business. In our evaluation of risk, we evaluate options and alternatives to mitigating such risks. For certain insurable risks we may acquire insurance policies to protect against potential losses or to partially insure against certain risks. For our subsidiary, Rockwell Transportation, Inc., we maintain a partially uninsured workers' compensation plan. Under the policy, the Company's self-insurance retention is \$350,000 per occurrence and \$784,222 in aggregate coverage for the policy year ending July 1, 2014. The total amount at December 31, 2013 by which retention limits exceed the claims paid and accrued is approximately \$779,000 for the policy year ending July 1, 2014. Estimated additional future claims subject to payment by the Company of approximately \$293,000 has been accrued for the year ended December 31, 2013.

At December 31, 2013, approximately \$350,000 was held in cash collateral and escrow by the insurance carrier for workers' compensation insurance. At December 31, 2013 amounts held in cash collateral and escrow are included in prepaid expenses and other non-current assets in the consolidated financial statements.

17. QUARTERLY RESULTS OF OPERATIONS

The following is a summary of the quarterly results of operations for the years ended December 31, 2013 and 2012.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2013				
Sales	\$ 12,336,374	\$ 12,984,164	\$ 13,094,381	\$ 13,964,624
Cost of Sales	11,055,394	11,299,099	11,461,100	11,904,730
Gross Profit	1,280,980	1,685,065	1,633,281	2,059,894
Selling, General and Administrative	3,916,783	3,237,974	3,386,367	3,795,325
Research and Product Development	12,754,518	10,222,721	10,611,219	5,793,579
Operating Income (Loss)	(15,390,321)	(11,775,630)	(12,364,305)	(7,529,010)
Interest and Investment Income, net	10,672	4,566	13,546	69,317
Interest Expense	75	92,155	857,505	872,412
Income (Loss) Before Income Taxes	(15,379,724)	(11,863,219)	(13,208,264)	(8,332,105)
Income Tax Expense				
Net Income (Loss)	\$ (15,379,724)	\$ (11,863,219)	\$ (13,208,264)	\$ (8,332,105)
	\$ (.72)	\$ (.38)	\$ (.34)	\$ (.21)

Basic And Diluted Earnings (Loss) Per
Share

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ROCKWELL MEDICAL, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. QUARTERLY RESULTS OF OPERATIONS (Continued)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2012				
Sales	\$ 12,028,417	\$ 12,124,790	\$ 12,689,339	\$ 12,999,846
Cost of Sales	10,401,941	10,405,991	11,043,412	11,297,621
Gross Profit	1,626,476	1,718,799	1,645,927	1,702,225
Selling, General and Administrative	2,898,684	2,824,379	3,325,411	3,635,386
Research and Product Development	9,405,547	10,876,396	16,238,450	11,751,256
Operating Income (Loss)	(10,677,755)	(11,981,976)	(17,917,934)	(13,684,417)
Interest and Investment Income, net	111,097	77,091	42,296	11,034
Interest Expense	253	456	137	105
Income (Loss) Before Income Taxes	(10,566,911)	(11,905,341)	(17,875,775)	(13,673,488)
Income Tax Expense				
Net Income (Loss)	\$ (10,566,911)	\$ (11,905,341)	\$ (17,875,775)	\$ (13,673,488)
Basic And Diluted Earnings (Loss) Per Share	\$ (.54)	\$ (.58)	\$ (.86)	\$ (.66)

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SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS

	Balance at Beginning of Period	Additions	(Deductions)	Balance at End of Period
Allowance for Doubtful Accounts:				
Year ended December 31, 2013	\$ 26,257	\$ 37,392	\$ (23,474)	\$ 37,392
Year ended December 31, 2012	\$ 29,473	\$ 9,659	\$ (12,875)	\$ 26,257
Year ended December 31, 2011	\$ 23,231	\$ 8,527	\$ (2,285)	\$ 29,473
Inventory Reserve:				
Year ended December 31, 2013	\$ 27,579	\$ 105,647	\$ (98,217)	\$ 35,009
Year ended December 31, 2012	\$ 39,803	\$ 37,009	\$ (49,233)	\$ 27,579
Year ended December 31, 2011	\$ 59,633	\$ 18,501	\$ (38,332)	\$ 39,803
Deferred Tax Asset Valuation Allowance:				
Year ended December 31, 2013	\$ 38,266,000	\$ 18,006,000	\$	\$ 56,272,000
Year ended December 31, 2012	\$ 19,726,000	\$ 18,540,000	\$	\$ 38,266,000
Year ended December 31, 2011	\$ 11,963,000	\$ 7,763,000	\$	\$ 19,726,000

Allowances and reserves are deducted from the accounts to which they apply.

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