

REFINITIV

DELTA REPORT

10-Q

CPIX - CUMBERLAND PHARMACEUTICAL

10-Q - JUNE 30, 2023 COMPARED TO 10-Q - MARCH 31, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1345
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■ CHANGES	152
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■ DELETIONS	777
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■ ADDITIONS	416
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended **March 31, 2023** **June 30, 2023**

OR

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

For the transition period from to .

Commission file number: 001-33637

Cumberland Pharmaceuticals Inc.

(Exact Name of Registrant as Specified In Its Charter)

Tennessee

(State or Other Jurisdiction of
Incorporation or Organization)

**1600 West End Avenue, Suite 1300,
Nashville, Tennessee**

(Address of Principal Executive Offices)

62-1765329

(I.R.S. Employer
Identification No.)

37203

(Zip Code)

(615) 255-0068

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:		
Class	Trading Symbol	Name of exchange on which registered
Common stock, no par value	CPIX	Nasdaq Global Select Market

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (\$232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files.) Yes ☐ No ☐

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: **14,449,107** **14,371,214** shares of common stock as of **May 8, 2023** **August 7, 2023**.

CUMBERLAND PHARMACEUTICALS INC.
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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

CUMBERLAND PHARMACEUTICALS INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(Unaudited)

		<u>March 31, 2023</u>	<u>December 31, 2022</u>		<u>June 30, 2023</u>	<u>December 31, 2022</u>
ASSETS	ASSETS			ASSETS		
Current assets:	Current assets:			Current assets:		
Cash and cash equivalents	Cash and cash equivalents	\$ 16,386,166	\$ 19,757,970	Cash and cash equivalents	\$ 18,249,086	\$ 19,757,970
Accounts receivable, net	Accounts receivable, net	14,529,133	13,163,681	Accounts receivable, net	12,218,756	13,163,681

Inventories, net	Inventories, net	10,180,002	9,863,581	Inventories, net	10,928,406	9,863,581
Prepaid and other current assets	Prepaid and other current assets	2,715,498	3,084,978	Prepaid and other current assets	2,277,885	3,084,978
Total current assets	Total current assets	43,810,799	45,870,210	Total current assets	43,674,133	45,870,210
Non-current inventories	Non-current inventories	7,534,303	7,527,167	Non-current inventories	6,694,452	7,527,167
Property and equipment, net	Property and equipment, net	354,857	284,039	Property and equipment, net	384,383	284,039
Intangible assets, net	Intangible assets, net	29,390,195	30,590,678	Intangible assets, net	28,269,781	30,590,678
Goodwill	Goodwill	914,000	914,000	Goodwill	914,000	914,000
Operating lease right-of-use assets	Operating lease right-of-use assets	4,919,057	5,218,403	Operating lease right-of-use assets	6,831,502	5,218,403
Other assets	Other assets	2,545,424	2,520,661	Other assets	2,607,109	2,520,661
Total assets	Total assets	\$ 89,468,635	\$ 92,925,158	Total assets	\$ 89,375,360	\$ 92,925,158
LIABILITIES AND EQUITY	LIABILITIES AND EQUITY			LIABILITIES AND EQUITY		
Current liabilities:	Current liabilities:			Current liabilities:		
Accounts payable	Accounts payable	\$ 11,222,333	\$ 10,819,011	Accounts payable	\$ 10,912,044	\$ 10,819,011
Operating lease current liabilities	Operating lease current liabilities	158,369	172,910	Operating lease current liabilities	320,837	172,910
Other current liabilities	Other current liabilities	14,326,712	17,587,911	Other current liabilities	15,726,206	17,587,911
Total current liabilities	Total current liabilities	25,707,414	28,579,832	Total current liabilities	26,959,087	28,579,832
Revolving line of credit	Revolving line of credit	16,072,286	16,200,000	Revolving line of credit	13,148,125	16,200,000
Operating lease non-current liabilities	Operating lease non-current liabilities	4,549,150	4,586,301	Operating lease non-current liabilities	5,477,040	4,586,301
Other long-term liabilities	Other long-term liabilities	7,091,298	7,585,019	Other long-term liabilities	6,954,206	7,585,019
Total liabilities	Total liabilities	53,420,148	56,951,152	Total liabilities	52,538,458	56,951,152
Commitments and contingencies						
Equity:	Equity:			Equity:		
Shareholders' equity:	Shareholders' equity:			Shareholders' equity:		
Common stock—no par value; 100,000,000 shares authorized; 14,430,047 and 14,366,316 shares issued and outstanding as of March 31, 2023 and December 31, 2022 , respectively		47,377,168	47,474,973			
Retained earnings (deficit)		(11,016,657)	(11,208,841)			
Common stock—no par value; 100,000,000 shares authorized; 14,330,990 and 14,366,616 shares issued and outstanding as of June 30, 2023 and December 31, 2022 , respectively				Common stock—no par value; 100,000,000 shares authorized; 14,330,990 and 14,366,616 shares issued and outstanding as of June 30, 2023 and December 31, 2022 , respectively	47,303,429	47,474,973
Accumulated deficit				Accumulated deficit	(10,144,457)	(11,208,841)
Total shareholders' equity	Total shareholders' equity	36,360,511	36,266,132	Total shareholders' equity	37,158,972	36,266,132
Noncontrolling interests	Noncontrolling interests	(312,024)	(292,126)	Noncontrolling interests	(322,070)	(292,126)
Total equity	Total equity	36,048,487	35,974,006	Total equity	36,836,902	35,974,006
Total liabilities and equity	Total liabilities and equity	\$ 89,468,635	\$ 92,925,158	Total liabilities and equity	\$ 89,375,360	\$ 92,925,158

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

CUMBERLAND PHARMACEUTICALS INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(Unaudited)

		Three months ended March 31,			Three months ended June 30,		Six months ended June 30,			
		2023	2022		2023	2022	2023	2022		
Net revenues	Net revenues	\$ 9,224,638	\$ 11,175,045	Net revenues	\$ 10,888,877	\$ 10,299,152	\$ 20,113,515	\$ 21,474,197		
Costs and expenses:	Costs and expenses:			Costs and expenses:						
Cost of products sold	Cost of products sold	1,250,264	2,211,885	Cost of products sold	1,520,774	2,031,884	2,771,038	4,243,769		
Selling and marketing	Selling and marketing	4,277,318	4,614,429	Selling and marketing	4,672,075	4,556,685	8,949,393	9,171,114		
Research and development	Research and development	1,499,670	1,745,136	Research and development	1,145,038	1,823,693	2,644,708	3,568,829		
General and administrative	General and administrative	2,498,993	2,302,349	General and administrative	2,369,883	2,203,975	4,868,876	4,506,324		
Amortization	Amortization	1,230,071	1,593,245	Amortization	1,158,248	1,529,453	2,388,319	3,122,698		
Total costs and expenses	Total costs and expenses	10,756,316	12,467,044	Total costs and expenses	10,866,018	12,145,690	21,622,334	24,612,734		
Operating income (loss)	Operating income (loss)	(1,531,678)	(1,291,999)	Operating income (loss)	22,859	(1,846,538)	(1,508,819)	(3,138,537)		
Interest income	Interest income	50,190	16,041	Interest income	57,061	15,066	107,251	31,107		
Other income	Other income	1,847,065	—	Other income	981,806	—	2,828,871	—		
Other income - gain on insurance proceeds							Other income - gain on insurance proceeds			
							—	611,330	—	611,330
Interest expense	Interest expense	(186,353)	(119,575)	Interest expense	(192,635)	(137,624)	(378,988)	(257,199)		
Income (loss) before income taxes	Income (loss) before income taxes	179,224	(1,395,533)	Income (loss) before income taxes	869,091	(1,357,766)	1,048,315	(2,753,299)		
Income tax (expense) benefit		(6,938)	(6,900)							
Income tax expense							Income tax expense			
							(6,937)	(6,900)	(13,875)	(13,800)
Net income (loss)	Net income (loss)	172,286	(1,402,433)	Net income (loss)	862,154	(1,364,666)	1,034,440	(2,767,099)		
Net loss at subsidiary attributable to noncontrolling interests	Net loss at subsidiary attributable to noncontrolling interests	19,898	17,180	Net loss at subsidiary attributable to noncontrolling interests	10,046	29,046	29,944	46,226		
Net income (loss) attributable to common shareholders	Net income (loss) attributable to common shareholders	\$ 192,184	\$ (1,385,253)	Net income (loss) attributable to common shareholders	\$ 872,200	\$ (1,335,620)	\$ 1,064,384	\$ (2,720,873)		
Earnings (loss) per share attributable to common shareholders	Earnings (loss) per share attributable to common shareholders			Earnings (loss) per share attributable to common shareholders						

- basic	- basic	\$	0.01	\$	(0.09)	- basic	\$	0.06	\$	(0.09)	\$	0.07	\$	(0.19)
- diluted	- diluted	\$	0.01	\$	(0.09)	- diluted	\$	0.06	\$	(0.09)	\$	0.07	\$	(0.19)
Weighted-average shares outstanding	Weighted-average shares outstanding					Weighted-average shares outstanding								
- basic	- basic	14,359,322	14,691,623			- basic	14,393,711	14,688,505			14,376,260	14,689,798		
- diluted	- diluted	14,587,843	14,691,623			- diluted	14,554,264	14,688,505			14,570,798	14,689,798		

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

CUMBERLAND PHARMACEUTICALS INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Three months ended March 31,	
	2023	2022
Cash flows from operating activities:		
Net income (loss)	\$ 172,286	\$ (1,402,433)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization expense	1,255,675	1,653,746
Share-based compensation	90,156	159,901
Decrease in non-cash contingent consideration	(267,637)	370,464
Decrease (increase) in cash surrender value of life insurance policies over premiums paid	(30,799)	222,209
Increase in noncash interest expense	4,296	2,183
Gain on receivable of FDA fees	(1,847,065)	—
Net changes in assets and liabilities affecting operating activities:		
Accounts receivable	481,613	(7,758,089)
Inventories	(323,557)	2,271,484
Other current assets and other assets	682,958	239,862
Accounts payable and other current liabilities	(1,105,263)	4,461,389
Other long-term liabilities	(530,872)	(371,214)
Net cash used in operating activities	(1,418,209)	(150,498)
Cash flows from investing activities:		
Additions to property and equipment	(107,260)	(26,986)
Cash paid for acquisitions	—	(13,500,000)
Additions to intangible assets	(67,193)	(14,912)
Net cash used in investing activities	(174,453)	(13,541,898)
Cash flows from financing activities:		
Borrowings on line of credit	8,000,000	20,000,000
Repayments on line of credit	(8,127,714)	(15,000,000)
Cash payment of contingent consideration	(1,464,311)	(501,505)
Repurchase of common shares	(187,117)	(580,130)
Net cash provided by (used in) financing activities	(1,779,142)	3,918,365
Net decrease in cash and cash equivalents	(3,371,804)	(9,774,031)
Cash and cash equivalents at beginning of period	\$ 19,757,970	\$ 27,040,816
Cash and cash equivalents at end of period	\$ 16,386,166	\$ 17,266,785

	Six months ended June 30,	
	2023	2022
Cash flows from operating activities:		
Net income (loss)	\$ 1,034,440	\$ (2,767,099)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization expense	2,456,590	3,272,085
Share-based compensation	188,034	132,148
Decrease in non-cash contingent consideration	(476,606)	(68,334)
Decrease (increase) in cash surrender value of life insurance policies over premiums paid	(95,997)	598,355

Increase in noncash interest expense	7,809	4,791
Gain on receivable of life insurance proceeds	—	(611,330)
Net changes in assets and liabilities affecting operating activities:		
Accounts receivable	944,925	(5,527,690)
Inventories	(232,110)	2,949,443
Other current assets and other assets	(804,400)	1,227,030
Accounts payable and other current liabilities	534,541	4,658,782
Other long-term liabilities	259,926	(1,688,143)
Net cash provided by operating activities	3,817,152	2,180,038
Cash flows from investing activities:		
Additions to property and equipment	(179,453)	(164,241)
Cash paid for acquisitions	—	(13,500,000)
Additions to intangible assets	(91,808)	(50,248)
Net cash used in investing activities	(271,261)	(13,714,489)
Cash flows from financing activities:		
Borrowings on line of credit	16,000,000	39,000,000
Repayments on line of credit	(19,051,875)	(35,000,000)
Cash payment of contingent consideration	(1,652,990)	(501,505)
Repurchase of common shares	(349,910)	(788,295)
Net cash provided by (used in) financing activities	(5,054,775)	2,710,200
Net decrease in cash and cash equivalents	(1,508,884)	(8,824,251)
Cash and cash equivalents at beginning of period	\$ 19,757,970	\$ 27,040,816
Cash and cash equivalents at end of period	\$ 18,249,086	\$ 18,216,565

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

CUMBERLAND PHARMACEUTICALS INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Equity
(Unaudited)

	Common stock		Retained earnings (deficit)	Noncontrolling interests	Total equity
	Shares	Amount			
Balance, December 31, 2021	14,742,754	\$ 48,452,906	\$ (5,638,600)	\$ (212,328)	\$ 42,601,978
Share-based compensation	162,155	159,901	—	—	159,901
Repurchase of common shares	(174,149)	(566,043)	—	—	(566,043)
Net loss	—	—	(1,385,253)	(17,180)	(1,402,433)
Balance, March 31, 2022	14,730,760	\$ 48,046,764	\$ (7,023,853)	\$ (229,508)	\$ 40,793,403

	Common stock		Accumulated deficit	Noncontrolling interests	Total equity
	Shares	Amount			
Balance, December 31, 2021	14,742,754	\$ 48,452,906	\$ (5,638,600)	\$ (212,328)	\$ 42,601,978
Share-based compensation	162,155	159,901	—	—	159,901
Repurchase of common shares	(174,149)	(566,043)	—	—	(566,043)
Net loss	—	—	(1,385,253)	(17,180)	(1,402,433)
Balance, March 31, 2022	14,730,760	\$ 48,046,764	\$ (7,023,853)	\$ (229,508)	\$ 40,793,403

Balance, March 31, 2022	14,730,760	\$ 48,046,764	\$ (7,023,853)	\$ (229,508)	\$ 40,793,403
Share-based compensation	2,250	(27,753)	—	—	(27,753)
Repurchase of common shares	(83,317)	(196,692)	—	—	(196,692)
Net loss	—	—	(1,335,620)	(29,046)	(1,364,666)
Balance, June 30, 2022	14,649,693	\$ 47,822,319	\$ (8,359,473)	\$ (258,554)	\$ 39,204,292

		Common stock		Retained earnings	Noncontrolling interests	Total Share						
		Shares	Amount	(deficit)			Common stock	Accumulated deficit	Noncontrolling interests			
Balance, December 31, 2022	Balance, December 31, 2022	14,366,616	\$47,474,973	\$(11,208,841)	\$ (292,126)	\$35,974,006	Balance, December 31, 2022	14,366,616	\$47,474,973	\$ (11,208,841)	\$ (292,126)	\$35,974,006
Share-based compensation	Share-based compensation	150,260	90,156	—	—	90,156	Share-based compensation	150,260	90,156	—	—	90,156
Repurchase of common shares	Repurchase of common shares	(86,829)	(187,961)	—	—	(187,961)	Repurchase of common shares	(86,829)	(187,961)	—	—	(187,961)
Net income (loss)	Net income (loss)	—	—	192,184	(19,898)	172,286	Net income (loss)	—	—	192,184	(19,898)	172,286
Balance, March 31, 2023	Balance, March 31, 2023	14,430,047	\$47,377,168	\$(11,016,657)	\$ (312,024)	\$36,048,487	Balance, March 31, 2023	14,430,047	\$47,377,168	\$ (11,016,657)	\$ (312,024)	\$36,048,487

Balance, March 31, 2023	14,430,047	\$ 47,377,168	\$ (11,016,657)	\$ (312,024)	\$ 36,048,487
Share-based compensation	—	97,877	—	—	97,877
Repurchase of common shares	(99,057)	(171,616)	—	—	(171,616)
Net income (loss)	—	—	872,200	(10,046)	862,154
Balance, June 30, 2023	14,330,990	\$ 47,303,429	\$ (10,144,457)	\$ (322,070)	\$ 36,836,902

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

CUMBERLAND PHARMACEUTICALS INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(Unaudited)

(1) ORGANIZATION AND BASIS OF PRESENTATION

Cumberland Pharmaceuticals Inc. ("Cumberland," the "Company," or as used in the context of "we," "us," or "our") is a specialty pharmaceutical company focused on the acquisition, development and commercialization of branded prescription pharmaceutical products. The Company's primary target markets are hospital acute care, gastroenterology and oncology. These medical specialties are characterized by relatively concentrated prescriber bases that the Company believes can be served effectively by small, targeted sales forces. Cumberland is dedicated to providing innovative products that improve quality of care for patients and address unmet or poorly met medical needs. The Company promotes its approved products through its hospital, oncology and field sales forces in the United States. **We are continuing Cumberland has also established international partnerships and continues** to build a network of **international partners companies outside the U.S.** to register and provide our medicines to patients in their countries.

Cumberland focuses its resources on maximizing the commercial potential of its products, as well as developing new product candidates, and has both internal development and commercial capabilities. The Company's products are manufactured by third parties, which are overseen by Cumberland's quality control and manufacturing professionals. The Company works closely with its hospital, field and oncology sales teams and its third-party distribution partners to make its products available in the United States.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements of the Company have been prepared on a basis consistent with the December 31, 2022, audited consolidated financial statements and include all adjustments, consisting of only normal recurring adjustments, necessary to fairly present the information set forth herein. All significant intercompany accounts and transactions have been eliminated in consolidation. The unaudited condensed consolidated financial statements have been prepared in accordance with the regulations of the Securities and Exchange Commission (the "SEC"), and certain information and disclosures have been condensed or omitted as permitted by the SEC for interim period presentation. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2022 (the "2022 Annual Report on Form 10-K"). The results of operations for the three and six months ended **March 31, 2023** **June 30, 2023**, are not necessarily indicative of the results to be expected for the entire fiscal year or any future period.

Recent Accounting Guidance

Recent Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board ("FASB") issued **ASU Accounting Standards Update ("ASU")** No. 2016-13, "Financial Instruments-Credit Losses," which changes the impairment model for most financial assets and certain other instruments. For trade and other receivables, held-to-maturity debt securities, loans and other instruments, companies are required to use a new forward-looking "expected loss" model that generally **result results in the an** earlier recognition of allowances for losses. For available-for-sale debt securities with unrealized losses, companies measure credit losses in a manner similar **to what they do today, with previous guidance**, except that the losses are recognized as

allowances rather than as reductions in the amortized cost of the securities. Companies have to disclose additional information, including information they use to track credit quality by year of origination for most financing receivables. Companies apply the ASU's provisions as a cumulative-effect adjustment, if any, to retained earnings (deficit) the accumulated deficit as of the beginning of the first reporting period in which the guidance is adopted.

Related to ASU No. 2016-13 discussed above, in May 2019, the FASB issued ASU 2019-05, "Financial Instruments-Credit Losses (Topic 326): Targeted Transition Relief" which provides transition relief for ASU 2016-13 by providing entities with an alternative to irrevocably elect the fair value option for eligible financial assets measured at amortized cost upon adoption of the new credit losses standard. Certain eligibility requirements must be met and the election must be applied on an instrument-by-instrument basis. The election is not available for either available-for-sale or held-to-maturity debt securities. The Company adopted both ASU 2016-13 and ASU 2019-05 on January 1, 2023. Please refer to *Trade and Notes Receivables Policy*, below.

Accounting Policies:

Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management of the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates under different assumptions and conditions. The Company's most significant estimates include: (1) its allowances for chargebacks and accruals for rebates and product returns, (2) the allowances for obsolescent or unmarketable inventory and (3) valuation of contingent consideration liabilities associated with business combinations.

Operating Segments

The Company has one operating segment which is specialty pharmaceutical products. Management has chosen to organize the Company based on the type of products sold. Operating segments are identified as components of an enterprise about which separate discrete financial information is evaluated by the chief operating decision maker, or decision-making group, in making decisions regarding resource allocation and assessing performance. The Company, which uses consolidated financial information in determining how to allocate resources and assess performance, has concluded that our specialty pharmaceutical products compete in similar economic markets and similar circumstances. Substantially all of the Company's assets are located in the United States and total revenues are primarily attributable to U.S. customers.

Trade and Note Receivables Policy

Management performed a scoping exercise to ensure completeness over the application of Current Expected Credit Losses (CECL) across the various financial instruments including trade and note receivables. CECL is applicable to all financial assets measured at amortized cost. The authoritative guidance requires that all financial instruments should be evaluated, including cash equivalents such as 3-month T-Bills, even if the expected loss is determined to be zero, or materially zero. All bank balances are maintained in cash or money market funds. Therefore for the Company, this principally relates to trade receivables and two note receivables, notes receivable. CECL also requires the measurement of expected credit losses on a collective (pool) basis when similar risk characteristics exist. This may include, either individually or in combination, some of the following characteristics (326-20-55-5):

- a. Internal or external credit score/rating
- b. Risk ratings or classification
- c. Financial asset type
- d. Size
- e. Effective interest rate
- f. Term
- g. Geographical location
- h. Historical or expected credit loss patterns
- i. Reasonable and supportable forecast periods

The standard requires entities to pool financial assets but allows them to choose which risk characteristics to use. Under the requirements of the guidance, the Company would need to reassess at the end of each reporting period whether the pool of assets continue to display similar risk characteristics.

With twenty years of experience, Cumberland has experienced virtually no write downs of receivables as most of our receivables are due from large successful pharmaceutical, healthcare or government customers, consistently making payments on account. Although the payment behaviors of all of our customers are consistently reliable, for the sake of transparency, we have separated our customer base into seven separate pools. The Company performs a monthly analysis of aged accounts receivable to determine how much, if any, of the accounts receivable balance should be reserved as potential bad debt. The Company reviews all balances over 90 days past due for a possible reserve and considers any specific factors or information for balances aged under 90 days if there are indicators that the balance should be reserved, such as other aged balances with the customer or bankruptcy as well as any economic issues with a customer industry or region. The adoption of ASC Accounting Standards Codification ("ASC") 326 did not result in a material impact to the company. Company.

(2) EARNINGS (LOSS) PER SHARE

The following table reconciles the numerator and denominator used to calculate basic and diluted earnings (loss) per share for the three and six months ended March 31, 2023 June 30, 2023 and 2022:

	Three months ended March 31,	
	2023	2022
Numerator:		

Net income (loss)	\$	172,286	\$	(1,402,433)
Net loss at subsidiary attributable to noncontrolling interest		19,898		17,180
Net income (loss) attributable to common shareholders	\$	192,184	\$	(1,385,253)
Denominator:				
Weighted-average shares outstanding – basic		14,359,322		14,691,623
Dilutive effect of other securities		228,521		—
Weighted-average shares outstanding – diluted		14,587,843		14,691,623

Three months ended June 30,				
		2023		2022
Numerator:				
Net income (loss) attributable to common shareholders	\$	872,200	\$	(1,335,620)
Denominator:				
Weighted-average shares outstanding – basic		14,393,711		14,688,505
Dilutive effect of other securities		160,553		—
Weighted-average shares outstanding – diluted		14,554,264		14,688,505
Six months ended June 30,				
		2023		2022
Numerator:				
Net income (loss) attributable to common shareholders	\$	1,064,384	\$	(2,720,873)
Denominator:				
Weighted-average shares outstanding – basic		14,376,260		14,689,798
Dilutive effect of other securities		194,538		—
Weighted-average shares outstanding – diluted		14,570,798		14,689,798

As of **March 31, 2023** **June 30, 2023** and 2022, restricted stock awards and options to purchase **831,338** **413,074** and **131,225** **289,975** shares of common stock, respectively, were outstanding but were not included in the computation of diluted earnings per share because the effect would be antidilutive.

(3) REVENUES

Product Revenues

The Company accounts for revenues from contracts with customers under ASC **606**, which became effective January 1, 2018. **606**.

The Company's net revenues consisted of the following for the three and six months ended **March 31, 2023** **June 30, 2023** and 2022:

		Three months ended March 31,				Three months ended June 30,		Six months ended June 30,	
		2023	2022			2023	2022	2023	2022
Products:	Products:			Products:					
Kristalose	Kristalose	\$ 4,315,128	\$ 3,945,097	Kristalose	\$ 4,110,718	\$ 3,570,272	\$ 8,425,846	\$ 7,515,368	
Sancuso	Sancuso	1,886,793	3,397,209	Sancuso	1,916,966	3,398,548	3,803,759	6,795,758	
Vibativ	Vibativ	1,848,187	2,501,434	Vibativ	2,147,826	1,596,821	3,996,013	4,098,255	
Caldolor	Caldolor	935,043	959,634	Caldolor	1,226,314	1,193,916	2,161,356	2,153,546	
Acetadote	Acetadote	169,856	111,090	Acetadote	150,163	126,789	320,019	237,884	
Vaprisol	Vaprisol	16,008	(117,000)	Vaprisol	23,857	(134,621)	39,866	(251,623)	
Omeclamox-Pak	Omeclamox-Pak	(2,518)	22,737	Omeclamox-Pak	8,062	(26,412)	5,544	(3,676)	
RediTrex	RediTrex	(141,045)	59,226	RediTrex	9,493	93,676	(131,552)	152,904	
Other revenue	Other revenue	197,186	295,618	Other revenue	1,295,478	480,163	1,492,664	775,781	
Total net revenues	Total net revenues	\$ 9,224,638	\$ 11,175,045	Total net revenues	\$ 10,888,877	\$ 10,299,152	\$ 20,113,515	\$ 21,474,197	

The Omeclamox-Pak net revenue for the **first** **second** quarter of 2023 and 2022 was the result of Cumberland impacted by our currently being out of commercial inventory of this product. The packager for our Omeclamox-Pak product encountered financial difficulties due to the impact of COVID-19. They are under new management and we are **in** awaiting a potential resumption of supply. For the process of a reorganization. Discussions with the packager are ongoing. In the first quarter of 2023, three and six months ended June 30, 2023 and 2022, the amounts noted **were** **resulted from** normal adjustments by channel partners.

With regard to Vaprisol, we are in the process of transitioning to a new manufacturer, who was issued an FDA a U.S. Food and Drug Administration ("FDA") Form 483 in the second quarter of 2022. Once these FDA Form 483 related issues are satisfactorily resolved by the manufacturing plant, manufacturer, we will then resubmit our application for their facility to the FDA for approval. Net For the three and six months ended June 30, 2023 and 2022, net revenue was positively impacted by product return and accrual adjustments.

Other Revenues

The Company has agreements with international partners for commercialization of the Company's products with associated payments included in other revenues. Those agreements provide that each of the partners is responsible for seeking regulatory approvals for the product, and following approval, each partner will be responsible for the ongoing distribution and sales in the respective international territories. The Company provides a dossier for product registration and maintains responsibility for the relevant intellectual property. Cumberland is typically entitled to receive a non-refundable, up-front payment at the time each agreement is executed as consideration for the product dossier and for the rights to the distinct intellectual property rights in the respective international territory. These agreements also typically provide for additional payments upon a partner's achievement of a defined regulatory approval and sales milestones. The Company may also be entitled to receive royalties on future sales of the products and a transfer price on supplies. The contractual payments associated with the partner's achievement of regulatory approvals, sales milestones and royalties on future sales are recognized as revenue upon occurrence, or at such time that the Company has a high degree of confidence that the revenue would not be reversed in a subsequent period.

Other revenues also include funding from federal grant programs including those secured from the FDA and from those secured by Cumberland Emerging Technologies Inc. ("CET") through the Small Business Administration as well as Administration. Grant revenue from these federal grant programs totaled approximately \$0.06 million and \$0.04 million for the three months ended June 30, 2023 and 2022, respectively, and approximately \$0.1 million and \$0.08 million for the six months ended June 30, 2023 and 2022, respectively.

Also in the second quarter of 2023, the Company received \$1.0 million relating to a litigation settlement based on two \$500,000 milestone payments due to us for the license associated with our Vibativ product.

Included in other revenue is lease income generated by CET's Life Sciences Center. The Life Sciences Center is a research center that provides scientists with access to flexible lab space and other resources to develop biomedical products. Grant revenue from these federal grant programs totaled This lease income, as noted in Footnote 5 - Leases, was approximately \$0.1 million \$0.1 million and \$0.04 million \$0.2 million for the three months ended March 31, 2023 June 30, 2023 and 2022, respectively, and \$0.2 million and \$0.3 million for the six months ended June 30, 2023 and 2022, respectively.

(4) INVENTORIES

The Company works closely with third parties to manufacture and package finished goods for sale. Based on the arrangements with the manufacturer or packager, the Company will either take title to the finished goods at the time of shipment or at the time of arrival at the Company's warehouses. The Company then holds such goods in inventory until distribution and sale. These finished goods inventories are stated at the lower of cost or net realizable value with cost determined using the first-in, first-out method.

The Company continually evaluates inventory for potential losses due to excess, obsolete or slow-moving goods by comparing sales history and projections to the inventory on hand. When evidence indicates that the carrying value may not be recoverable, a charge is taken to reduce the inventory to its current net realizable value. At March 31, 2023 June 30, 2023, there were no cumulative obsolescence and discontinuance losses necessary. At December 31, 2022, the Company had recognized and maintained cumulative net realizable value charges for potential obsolescence and discontinuance losses of approximately \$0.5 million.

The Company is responsible for the purchase of the active pharmaceutical ingredient ("API") for Kristalose and maintains the inventory at third-party packagers inventory. As that API is consumed in production, the value of the API is transferred from raw materials to finished goods. API for the Company's Vaprisol brand is also included in the raw materials inventory at March 31, 2023 and December 31, 2022 inventory. Consigned inventory represents Authorized Generic inventory stored with our partner until shipment.

As part of the Vibativ acquisition, the Company acquired API and work in process inventories of \$15.6 million that were all initially classified as non-current inventories at the date of acquisition. At March 31, 2023 June 30, 2023 and December 31, 2022, total non-current inventory, including Vibativ and our clinical trial drug ifetroban, was \$6.7 million and \$7.5 million for each period, respectively. The Company had Vibativ finished goods of \$0.9 million included in non-current inventory at March 31, 2023 June 30, 2023, and no non-current inventory at December 31, 2022. The Company also had \$0.3 million in non-current inventory for API related to its ifetroban clinical initiatives at March 31, 2023 June 30, 2023 and December 31, 2022, and \$0.2 million and \$0.1 million of finished goods, respectively.

At March 31, 2023 June 30, 2023 and December 31, 2022, the Company's net inventories consisted of the following:

		March 31, 2023	December 31, 2022		June 30, 2023	December 31, 2022
Raw materials and work in process	Raw materials and work in process	\$ 12,548,636	\$ 12,899,659	Raw materials and work in process	\$ 12,859,432	\$ 12,899,659
Consigned inventory	Consigned inventory	179,786	168,923	Consigned inventory	126,753	168,923
Finished goods	Finished goods	4,985,883	4,322,167	Finished goods	4,636,673	4,322,166
Total inventories	Total inventories	17,714,305	17,390,748	Total inventories	17,622,858	17,390,748
less non-current inventories	less non-current inventories	(7,534,303)	(7,527,167)	less non-current inventories	(6,694,452)	(7,527,167)
Total inventories classified as current	Total inventories classified as current	\$ 10,180,002	\$ 9,863,581	Total inventories classified as current	\$ 10,928,406	\$ 9,863,581

(5) LEASES

On November 15, 2021, Cumberland entered into a lease (the "Lease"), pursuant to which the Company leases approximately 16,903 rentable square feet of space (the "Leased Premise") at the new development Broadwest located in Nashville, Tennessee with 1600 West End Avenue Partners, LLC, LLC (the "Landlord"). The Leased Premise serves as the

Company's new corporate headquarters. The initial term of the Lease is one hundred fifty-seven (157) months, with two consecutive options to renew for a period of five years each, with the commencement date of October 25, 2022. This lease currently expires in November 2035.

The Company is responsible for paying rent to the Landlord under the Lease beginning three months after the commencement date. The Company pays a base rent of \$33.06 per square foot of rentable space with a gradual rental rate increase of 2.5% for each year period thereafter of the prior year's base rental. In addition to the monthly base rent, the Company is responsible for its percentage share of the operating expenses of the Building, building. The Lease also provides for a tenant improvement allowance for the space.

In addition, the Company's operating leases also include the lease of approximately 14,200 square feet of wet laboratory and office space in Nashville, Tennessee by CET, our majority-owned subsidiary, where it operates the CET Life Sciences Center. The research lab space at CET, under an agreement amended in July 2012, is leased through April 2023, with an option to extend the lease through April 2028. The Company also subleases a portion of the space under these leases.

this lease.

Operating lease liabilities were recorded as the present value of remaining lease payments not yet paid for the lease term discounted using the incremental borrowing rate associated with each lease. Operating lease right-of-use assets represent operating lease liabilities adjusted for lease incentives and initial direct costs. As the Company's leases do not contain implicit borrowing rates, the incremental borrowing rates were calculated based on information available at January 1, 2019 and October 25, 2022. Incremental borrowing rates reflect the Company's estimated interest rates for collateralized borrowings over similar lease terms. The weighted-average remaining lease term for the Broadwest lease and CET leases is 12.62 10.9 years at March 31, 2023 June 30, 2023. The weighted-average incremental borrowing rate used to discount the present value of the remaining lease payments is 9.28% for the Broadwest lease and 7.42% 9.9% for the remaining CET lease. Also included as a ROU asset is an embedded lease of \$0.9 million related to our new manufacturer for Vaprisol.

Lease Position

At March 31, 2023 June 30, 2023 and December 31, 2022, the Company's lease assets and liabilities were as follows:

Right-of-Use Assets	Right-of-Use Assets	March 31, 2023	December 31, 2022	Right-of-Use Assets	June 30, 2023	December 31, 2022
Operating lease right-of-use assets	Operating lease right-of-use assets	\$ 4,919,057	\$ 5,218,403	Operating lease right-of-use assets	\$ 6,831,502	\$ 5,218,403
Lease Liabilities	Lease Liabilities	March 31, 2023	December 31, 2022	Lease Liabilities	June 30, 2023	December 31, 2022
Operating lease current liabilities	Operating lease current liabilities	\$ 158,369	\$ 172,910	Operating lease current liabilities	\$ 320,837	\$ 172,910
Operating lease noncurrent liabilities	Operating lease noncurrent liabilities	4,549,150	4,586,301	Operating lease noncurrent liabilities	5,477,040	4,586,301
Total	Total	\$ 4,707,519	\$ 4,759,211	Total	\$ 5,797,877	\$ 4,759,211

As of March 31, 2023 June 30, 2023, cumulative future minimum sublease income under non-cancelable operating subleases totals approximately \$0.03 million \$1.8 million and will be paid through the leases ending in April 2023 2028. Future minimum lease payments under non-cancelable operating leases (with initial or remaining lease terms in excess of one year) are as follows:

Maturity of Lease Liabilities at March 31, 2023		Operating Leases	
Maturity of Lease Liabilities at June 30, 2023		Maturity of Lease Liabilities at June 30, 2023	Operating Leases
2023	2023	587,511	422,975
2024	2024	578,759	863,320
2025	2025	543,023	836,100
2026	2026	608,015	909,911
2027	2027	623,199	934,180
After 2027	After 2027	5,324,178	5,588,192
Total lease payments	Total lease payments	8,264,685	9,554,678
Less: Interest	Less: Interest	3,557,166	3,756,801
Present value of lease liabilities	Present value of lease liabilities	\$ 4,707,519	\$ 5,797,877

Rent expense is recognized over the expected term of the lease, including renewal option periods, if applicable, on a straight-line basis as a component of general and administrative expense. Rent expense and sublease income were as follows:

Three months ended March 31,		Three months ended June 30,		Six months ended June 30,	
2023	2022	2023	2022	2023	2022

Rent expense	Rent expense	\$	234,863	\$	285,963	Rent expense	\$	226,772	\$	285,963	\$	501,029	\$	574,071
Sublease income	Sublease income	\$	115,631	\$	161,804	Sublease income	\$	130,842	\$	161,804	\$	245,499	\$	296,237

(6) SHAREHOLDERS' EQUITY AND DEBT

Share repurchases

Cumberland currently has a share repurchase program available to repurchase up to \$10 million of its common stock pursuant to Rule 10b-18 of the Securities Exchange Act of 1934. In January 2019, the Company's Board of Directors established the current \$10 million repurchase program to replace the prior authorizations. During the three six months ended March 31, 2023 June 30, 2023 and March 31, 2022 June 30, 2022, the Company repurchased 86,829 185,886 shares and 174,149 257,466 shares of common stock for approximately \$0.2 million \$0.4 million and \$0.6 million \$0.8 million, respectively. At March 31, 2023 June 30, 2023, approximately \$3.6 million \$3.4 million was available for the repurchase of common shares was left to repurchase under this program.

Share purchases and sales

In the Company's May 2023 trading window, several members of Cumberland's Board of Directors will enter entered into share agreements for trading plans to purchase agreements shares of the Company's stock pursuant to Rule 10b5-1 of the Securities Exchange Act of 1934. These purchases are designed to increase ownership in the Company by the members of the Board. Purchases of shares through these plans are expected to begin in August 2023.

Share Sales

In November 2017, Cumberland filed a Shelf Registration on Form S-3 with the SEC associated with the sale of up to \$100 million in corporate securities. The Shelf Registration was declared effective in January 2018. It also included an At the Market ("ATM") feature that allowed the Company to sell common shares at market prices, along with an agreement with B. Riley FBR Inc. to support such a placement of shares. The Company filed an updated Form S-3 with the SEC in December 2020, which was declared effective in January 2021. On December 27, 2021, the Company filed a related prospectus supplement in connection with the sale and issuance of shares having an aggregate gross sales price of up to \$19 million. The Company intends to continue an ATM feature through B. Riley FBR, Inc. that would allow the Company to issue shares of its common stock. The Company did not issue any shares under an ATM during the three six months ended March 31, 2023 June 30, 2023 or March 31, 2022 June 30, 2022.

Restricted Share Grants and Incentive Stock Options

During the three six months ended March 31, 2023 June 30, 2023 and March 31, 2022 June 30, 2022, the Company issued 28,250 34,250 shares and 65,225 shares of restricted stock, respectively, to employees, advisors and directors, respectively. Restricted stock issued to employees and advisors generally cliff-vests on the fourth anniversary of the date of grant and for directors on the one-year anniversary of the date of grant. During the three six months ended March 31, 2023 June 30, 2023 and 2022, the Company also issued 183,250 184,500 and 166,350 169,800 incentive stock options, respectively, to employees that cliff-vest on the fourth anniversary of the date of grant, that and are set to expire in 2033 and 2032, respectively.

Stock compensation expense is presented as a component of general and administrative expense in the condensed consolidated statements of operations. operations as it relates to these restricted share grants and options. For the three six months ended March 31, 2023 June 30, 2023, we recorded a credit of \$0.04 million to share-based stock compensation expense related to the forfeiture of unvested restricted stock awards.

Debt Agreement

On December 31, 2021, the Company entered into a Fifth Amendment to the Revolving Credit Note and Sixth Amendment (the "Sixth Amendment") to Revolving Credit Loan Agreement with Pinnacle Bank (the "Pinnacle Agreement"). The Sixth Amendment increased the principal amount by \$5 million to \$20 million. On October 28, 2021, the Company entered into a Fourth Amendment to the Revolving Credit Note and Fifth Amendment to Revolving Credit Loan Agreement with Pinnacle Bank. Among other terms, the Fourth Amendment extended the maturity date to October 1, 2024. The Pinnacle Agreement and includes a specific financial covenants. covenant.

In 2022, the Company and Pinnacle Bank agreed to modify the financial covenants to align with the current use of the line of credit. On March 31, 2022, the Company and Pinnacle Bank entered into a Seventh Amendment to the Revolving Credit Loan Agreement to revise and update the Maximum Funded Debt Ratio financial covenant and to delete from the Pinnacle Agreement the Funded Debt to Tangible Capital Ratio financial covenant. These changes were made to more appropriately reflect the impact from the Sancuso acquisition. On June 30, 2022, the Company entered into the Eighth Amendment to the Revolving Credit Loan Agreement with Pinnacle Bank permitting the Maximum Funded Debt Ratio to be calculated on a rolling four-quarter basis to be no more than 3.00 to 1.00 for the second and third quarters of 2022 and 2.50 to 1.00 for each quarter thereafter. On September 29, 2022, the Company entered into the Ninth Amendment to the Revolving Credit Loan Agreement with Pinnacle Bank (as amended, the "Pinnacle Agreement") to update the Funded Debt Ratio to mean the ratio of (i) Funded Debt less the amount of Unrestricted Cash in excess of \$8,500,000, to (ii) EBITDA, as determined at the end of each fiscal quarter on a rolling four (4) quarter basis. For the quarter ended March 31, 2023 June 30, 2023, we were in compliance with the Funded Debt Ratio financial covenant.

The interest rate on the Pinnacle Agreement is was based on LIBOR plus an interest rate spread. The current pricing under the Pinnacle Agreement provides for an interest rate spread of 1.75% to 2.75% above LIBOR with a minimum LIBOR of 0.90%. The applicable interest rate under the Pinnacle Agreement was 7.375% 8.0% at March 31, 2023 June 30, 2023. In addition, a fee of 0.25% per year is charged on the unused line of credit. Interest and the unused line fee are payable quarterly. The LIBOR rate will is no longer be used as of June 30, 2023, at which time the benchmark rate will be was changed from LIBOR to Term SOFR.

As of March 31, 2023 June 30, 2023 and December 31, 2022, the Company had \$16.1 million \$13.1 million and \$16.2 million, respectively, in borrowings outstanding under its revolving credit facility.

Borrowings under the line of credit are collateralized by substantially all of our assets.

Joint Venture Agreement

In August 2020, Cumberland entered into an agreement with WinHealth Investment (Singapore) Ltd creating *WHC Biopharmaceuticals, Pte. Ltd.* The joint venture, as a limited liability company, will focus on acquiring, developing, registering, and commercializing development stage and commercial stage biopharmaceuticals for China, Hong Kong and other Asian markets. The agreement provides for initial investment from WinHealth in the form of a \$0.2 million equity contribution and an initial investment from Cumberland in the form of a \$0.2 million convertible note, which was funded during the first quarter of 2021. The joint venture will seek additional future capital from additional investors and has entered into exclusive option agreements to license product candidates from both Cumberland Pharmaceuticals Inc. and Cumberland Emerging Technologies Inc.

(7) INCOME TAXES

As of **March 31, 2023** **June 30, 2023**, the Company has approximately **\$57.8 million** **\$53.1 million** in federal net operating loss carryforwards including approximately \$44.1 million of net operating loss carryforwards resulting from the exercise of nonqualified stock options. These have historically been used to significantly offset income tax obligations. The Company expects it will continue to pay minimal income taxes during 2023 and beyond, through the continued utilization of these net operating loss carryforwards, on any taxable income generated from our operations.

(8) OTHER INCOME

The Company realized a **\$1.8** **\$2.8** million gain in the first **quarter** **six months** of 2023 for previously paid **FDA** prescription drug fees. In March 2023, the Company was granted a barrier-to-innovation waiver from the FDA for **the certain** fiscal year 2022 **RediTrex** prescription drug fees resulting in a refund of \$1.8 million. **This refund is expected to be in June 2023, the Company was granted another waiver from the FDA for the fiscal year 2023 fees in the amount of \$1.0 million. Both of these refunds were paid by the FDA in second quarter of 2023.**

(9) COLLABORATIVE AGREEMENTS

Cumberland is a party to several collaborative arrangements with research institutions to identify and pursue promising pharmaceutical product candidates. The funding for these programs is primarily provided through Federal Small Business Administration (SBIR/STTR) and other grant awards. The Company has determined that these collaborative agreements, with the exception of the collaborative payment received related to RediTrex, do not meet the criteria for accounting under ASC Topic 808, *Collaborative Agreements*. The agreements do not specifically designate each party's rights and obligations to each other under the collaborative arrangements. Except for patent defense costs, expenses incurred by one party are not required to be reimbursed by the other party. Expenses incurred under these collaborative agreements are included in research and development expenses and funding received from grants are recorded as net revenues in the condensed consolidated statements of operations.

(10) COMMITMENTS AND CONTINGENCIES

The company is involved in litigation arising in the normal course of business. The Company does not believe that the disposition or ultimate resolution of existing claims or lawsuits will have a material adverse effect on the business or financial condition of the Company.

(11) ADDITIONS PRODUCT ACQUISITIONS AND RETURN OF PRODUCT RIGHTS

Vibativ

During November 2018, the Company closed on an agreement with Theravance Biopharma ("Theravance") to acquire the global responsibility for Vibativ including the marketing, distribution, manufacturing and regulatory activities associated with the brand. Vibativ is a patented, **Food and Drug Administration ("FDA")** **FDA** approved injectable anti-infective for the treatment of certain serious bacterial infections including hospital-acquired and ventilator-associated bacterial pneumonia and complicated skin and skin structure infections. It addresses a range of Gram-positive bacterial pathogens, including those that are considered difficult-to-treat and multidrug-resistant.

Cumberland has accounted for the transaction as a business combination in accordance with ASC 805 and the product sales are included in the results of operations subsequent to the acquisition date. The Company made an upfront payment of \$20.0 million at the closing of the transaction and a \$5.0 million milestone payment in early April 2019. In addition, Cumberland has agreed to pay a royalty of up to 20% of on-going net sales of the product after the \$2.5 million threshold is met. The future royalty payments were required to be recognized at their acquisition-date fair value as a contingent consideration liability, as part of the contingent consideration transferred in the business combination. Cumberland prepared the valuations of the contingent consideration liability utilizing significant unobservable inputs. As a result, the valuation is classified as Level 3 fair value measurement.

The following table presents the changes in the fair value of the contingent consideration liability that is remeasured on a recurring basis. The contingent consideration earned and accrued in operating expenses is paid to Theravance quarterly.

Balance at December 31, 2022	\$	4,154,823
Cash payment of royalty during the period		(245,391)
Change in fair value of contingent consideration included in operating expenses		176,122 109,185
Contingent consideration earned and accrued in operating expenses		292,232
Balance at March 31, 2023 June 30, 2023	\$	4,085,554 4,310,849

The contingent consideration liability of **\$4.1 million** **\$4.3 million** was accounted for as **\$1.2 million** **\$1.6 million** of other current liabilities and **\$2.9 million** **\$2.7 million** of other long-term liabilities on the condensed consolidated balance sheet as of **March 31, 2023** **June 30, 2023**.

Sancuso

On January 3, 2022, Cumberland acquired the U.S. rights to the FDA-approved oncology-supportive care medicine Sancuso from Kyowa Kirin, Inc. ("Kyowa Kirin"), the U.S. affiliate of Japan-based Kyowa Kirin Co., Ltd.

Sancuso is the first and only FDA-approved prescription patch for the prevention of nausea and vomiting in patients receiving certain types of chemotherapy treatment. The active drug in Sancuso, granisetron, slowly dissolves in the thin layer of adhesive that sticks to the patient's skin and is released into their bloodstream over several days, working continuously to prevent chemotherapy-induced nausea and vomiting ("CINV"). It is applied 24 to 48 hours before receiving chemotherapy and can prevent CINV for up to five consecutive days. Alternative oral treatments must be taken several times (day and night) to deliver the same therapeutic doses.

Cumberland acquired U.S. rights to Sancuso and assumed full commercial responsibility for the product in the U.S. – including its marketing, promotion, distribution, manufacturing and medical support activities.

Cumberland has accounted for the transaction as a business combination in accordance with ASC 805 and the product sales are included in the results of operations subsequent to the acquisition date. The Company made an upfront payment of \$13.5 million at the closing of the transaction. The agreement called for milestone payments of up to \$3.5 million based on the attainment of various approvals and sales performance. The Company believes that \$1.5 million of the milestone payments will be earned and paid. In March 2023, Cumberland paid \$1.0 million of the \$3.5 million milestone payments to Kwoya Kirin for the approval by the FDA of the manufacturing site for the product.

In addition, Cumberland has agreed to pay a royalty of up to 10% of on-going net sales of the product. The future royalty payments were required to be recognized at their acquisition-date fair value as a contingent consideration liability, as part of the contingent consideration transferred in the business combination. Cumberland has prepared a valuation of the contingent consideration liability utilizing significant unobservable inputs. As a result, the valuation is classified as Level 3 fair value measurement.

The acquisition was funded by cash and the Company's revolving credit facility. The fair value for the assets and liabilities assumed were as follows: prepaid expenses of \$1.8 million, inventory of \$2.6 million, goodwill of \$0.03 million, intangible assets of \$14.1 million, milestone payable of \$1.7 million and contingent liability of \$3.4 million.

The following table presents the changes in the fair value of the contingent consideration liability that is remeasured on a recurring basis.

Balance at December 31, 2022	\$	4,757,000
Cash payment of milestones and royalty during the period		(1,407,598)
Change in fair value of contingent consideration included in operating expenses		(585,792)
Contingent consideration earned and accrued in operating expenses		352,390
Balance at June 30, 2023	\$	3,116,000

The contingent consideration liability earned and accrued in operating expenses is paid to Kyowa Kirin quarterly. The contingent consideration liability of \$3.1 million was accounted for as \$1.9 million of current liabilities and \$1.2 million of other long-term liabilities on the condensed consolidated balance sheet as of June 30, 2023.

RediTrex

In November 2016, the Company announced an agreement with the Nordic Group B.V. ("Nordic") to acquire the exclusive U.S. rights to Nordic's injectable methotrexate product line designed for the treatment of active rheumatoid arthritis, juvenile idiopathic arthritis, severe psoriatic arthritis and severe disabling psoriasis.

As consideration for the license, Cumberland paid a deposit of \$100,000 at closing. The Company provided \$0.9 million in consideration through a grant of 180,000 restricted shares of Cumberland common stock to be vested upon the FDA approval of the first Nordic product. Cumberland also agreed to provide Nordic a series of payments tied to the products' FDA approval, launch and achievement of certain sales milestones. Under the terms of the agreement, Cumberland is responsible for the product registration and commercialization in the U.S. Nordic is responsible for product manufacturing and supply.

On November 27, 2019, Cumberland received FDA approval for the first Nordic injectable product and authorization to market them under the RediTrex brand name. The 180,000 shares of restricted Cumberland common stock previously provided to Nordic vested upon approval and were valued at \$0.9 million on the vesting date. The FDA approval also resulted in a \$1.0 million milestone payment due to Nordic. During December 2020, Cumberland introduced RediTrex and the launch that took place in late 2021 resulted in a \$1.0 million milestone payment due to Nordic.

Effective July 12, 2022, the Company entered into an amendment to our agreement with Nordic whereby they may would assume responsibility for RediTrex marketing authorization in the U.S. and the opportunity to commercialize the product in the U.S. after June 30, 2023. Cumberland will continue continued to distribute and support the product until then, through June 30, 2023. In accordance with the terms of the amendment, Nordic has returned the 180,000 restricted Cumberland shares we previously issued to Nordic which were cancelled, refunded to Cumberland the milestone payment of \$1.0 million we made associated with the brand's U.S. approval and issued a credit note in favor of the Company in the amount of \$1.0 million for the unpaid milestone payment due from us for launch of the product line. The companies will cooperate on any transition and Cumberland will receive a long-term royalty on any Nordic sales of the product.

Sancuso

On January 3, 2022, Cumberland acquired the U.S. rights to the FDA-approved oncology-supportive care medicine Sancuso from Kyowa Kirin, Inc. ("Kyowa Kirin"), the U.S. affiliate of Japan-based Kyowa Kirin Co., Ltd.

Sancuso is the first and only FDA-approved prescription patch for the prevention of nausea and vomiting in patients receiving certain types of chemotherapy treatment. The active drug in Sancuso, granisetron, slowly dissolves in the thin layer of adhesive that sticks to the patient's skin and is released into their bloodstream over several days, working continuously to prevent chemotherapy-induced nausea and vomiting ("CINV"). It is applied 24 to 48 hours before receiving chemotherapy and can prevent CINV for up to five consecutive days. Alternative oral treatments must be taken several times (day and night) to deliver the same therapeutic doses.

Cumberland acquired U.S. rights to Sancuso and assumed full commercial responsibility for the product in the U.S. – including its marketing, promotion, distribution, manufacturing and medical support activities.

Cumberland has accounted for the transaction as a business combination in accordance with ASC 805 and the product sales are included in the results of operations subsequent to the acquisition date. The Company made an upfront payment of \$13.5 million at the closing of the transaction. The Agreement calls for milestone payments of up to \$3.5 million based on the attainment of various approvals and sales performance. The Company believes that \$1.5 million of the milestone payments will be earned and paid. In March 2023, Cumberland paid \$1.0 million of the \$3.5 million milestone payments to Kwoya Kirin for the approval by the FDA of the manufacturing site for the product.

In addition, Cumberland has agreed to pay a royalty of up to 10% of on-going net sales of the product. The future royalty payments were required to be recognized at their acquisition-date fair value as a contingent consideration liability, as part of the contingent consideration transferred in the business combination. Cumberland has prepared a valuation of the contingent consideration liability utilizing significant unobservable inputs. As a result, the valuation is classified as Level 3 fair value measurement.

The acquisition was funded by cash and the Company's revolving credit facility. The Company worked with an outside consultant to finalize the Sancuso valuation of the transaction. The fair value for the assets and liabilities assumed were as follows: prepaid expenses \$1.8 million, inventory \$2.6 million, goodwill \$0.03 million, intangible assets \$14.1 million, milestone payable \$1.7 million and contingent liability \$3.4 million.

The following table presents the changes in the fair value of the contingent consideration liability that is remeasured on a recurring basis.

Balance at December 31, 2022	\$	3,000,000
Cash payment of royalty during the period		(244,920)
Change in fair value of contingent consideration included in operating expenses		(443,759)
Contingent consideration earned and accrued in operating expenses		188,679
Balance at March 31, 2023	\$	2,500,000

The contingent consideration liability earned and accrued in operating expenses is paid to Kyowa Kirin quarterly. The contingent consideration liability of \$2.5 million was accounted for as \$1.3 million of current liabilities and \$1.2 million of other long-term liabilities on the condensed consolidated balance sheet as of March 31, 2023.

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

Disclosure regarding forward-looking statements

The following discussion contains certain forward-looking statements which reflect management's current views of future events and operations. These statements involve certain risks and uncertainties, and actual results may differ materially from them. Forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Actual results may differ significantly from the results discussed in these forward-looking statements. Some important factors which may cause results to differ from expectations include: availability of additional debt and equity capital; market conditions at the time additional capital is required; our ability to continue to acquire branded products; product sales; management of our growth and integration of our acquisitions and generally unpredictable conditions in national and international markets. While forward-looking statements reflect our beliefs and best judgment based upon current information, they are not guarantees of future performance. Other important factors that may cause actual results to differ materially from forward-looking statements are discussed in the sections entitled "Risk Factors" and "Special Note Regarding Forward-Looking Statements" of our Annual Report on Form 10-K for the year ended December 31, 2022, and our other filings with the SEC. We do not undertake to publicly update or revise any of our forward-looking statements, even in the event that experience or future changes indicate that the anticipated results will not be realized. The following presentation of management's discussion and analysis of financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and related notes included in this report on Form 10-Q.

OVERVIEW

Our Business

Cumberland Pharmaceuticals Inc. ("Cumberland," the "Company," or as used in the context of "we," "us," or "our"), is a specialty pharmaceutical company focused on the acquisition, development and commercialization of branded prescription pharmaceutical products. We are dedicated to providing innovative products that improve the quality of care for patients and address poorly met medical needs.

Our primary target sectors are hospital acute care, gastroenterology and oncology. These medical specialties are characterized by relatively concentrated prescriber bases that we believe can be served effectively by small, targeted sales forces. We promote our approved products through our hospital, oncology and field sales forces in the United States. We have also established international partnerships and are continuing to build a network of companies outside the U.S. to register and provide our medicines to patients in their countries.

Our portfolio of FDA approved brands includes:

- **Acetadote®** (*acetylcysteine*) injection, for the treatment of acetaminophen poisoning;
- **Caldolor®** (*ibuprofen*) injection, for the treatment of pain and fever;
- **Kristalose®** (*lactulose*) oral, a prescription laxative, for the treatment of constipation;
- **Omeclamox®-Pak**, (*omeprazole, clarithromycin, amoxicillin*) oral, for the treatment of *Helicobacter pylori* (*H. pylori*) infection and related duodenal ulcer disease;
- **RediTrex®** (*methotrexate*) injection, for the treatment of active rheumatoid, juvenile idiopathic and severe psoriatic arthritis, as well as disabling psoriasis;
- **Sancuso®** (*granisetron*) transdermal, for the prevention of nausea and vomiting in patients receiving certain types of chemotherapy treatment;
- **Vaprisol®** (*conivaptan*) injection, to raise serum sodium levels in hospitalized patients with euvolemic and hypervolemic hyponatremia; and
- **Vibativ®** (*telavancin*) injection, for the treatment of certain serious bacterial infections including hospital-acquired and ventilator-associated bacterial pneumonia, as well as complicated skin and skin structure infections.

In addition to these commercial brands, we have Phase II clinical programs underway evaluating our ifetroban product candidates for patients with cardiomyopathy associated with 1) Duchenne Muscular Dystrophy ("DMD"), a fatal, genetic neuromuscular disease; disease and 2) Systemic Sclerosis ("SSc") or scleroderma, a debilitating autoimmune disorder characterized by fibrosis of the skin and internal organs; and 3) Aspirin-Exacerbated Respiratory Disease ("AERD"), organs. In June 2023, we received FDA clearance to proceed directly to a severe Phase II study for patients with Idiopathic Pulmonary Fibrosis, the most common form of asthma. We are designing a fourth Phase II program to evaluate the use of ifetroban to treat patients with Progressive Fibrosing Interstitial Lung Diseases, and we have submitted an application to the FDA to support the new program, which we expect to launch in 2023. progressive fibrosing interstitial lung disease.

Cumberland has built core competencies in the acquisition, development and commercialization of pharmaceutical products in the U.S. – and we believe we can leverage this existing infrastructure to support our continued growth both domestically and internationally. Our management team consists of pharmaceutical industry veterans with experience in business development, product development, regulatory, manufacturing, sales, marketing and finance.

Our business development team identifies, evaluates, and negotiates product acquisition, licensing and co-promotion agreements. Our product development team creates proprietary formulations, manages our clinical studies, prepares our FDA submissions and staffs our medical call center. Our quality and manufacturing professionals oversee the manufacturing, release and shipment of our products. Our marketing and sales organization is responsible for our commercial activities, and we work closely with our distribution partners to ensure the availability and delivery of our products.

GROWTH STRATEGY

Cumberland's growth strategy involves maximizing the success of our existing brands while continuing to build a portfolio of differentiated products. We currently feature **eight seven** products approved by the FDA in the United States. We are also continuing to **explore establish** international partnerships to bring our medicines to patients in other countries. Additionally, we look for opportunities to expand our products into additional patient populations through clinical trials, new presentations and our support of select, investigator-initiated studies. We actively pursue opportunities to acquire additional marketed products, as well as late-stage development product candidates in our target medical specialties. Our clinical team is developing a pipeline of new product candidates largely to address poorly met medical needs.

We are supplementing these activities with the earlier-stage drug development at Cumberland Emerging Technologies ("CET"), our majority-owned subsidiary. CET partners with academic research institutions to identify and support the progress of promising new product candidates, which Cumberland could further develop and commercialize.

Specifically, we are seeking long-term sustainable growth by:

- **Supporting and expanding the use of our marketed products.** We continue to evaluate our products following their FDA approval to determine if additional clinical data could expand their market and use. For example, we have secured pediatric approval of Acetadote and Caldolor and **are expanding expanded** the labeling for both brands accordingly. We also **recently further expanded the labeling added pre-surgery dosing** for Caldolor, **and recently included newborns to allow its use prior to surgery. the patients who can benefit from the product.** We will continue to explore such opportunities to bring our products to new patient populations.
- **Selectively adding complementary brands.** In addition to our product development activities, we are also seeking to acquire products or late-stage development product candidates to continue to build a portfolio of complementary brands. We focus on under-promoted, FDA-approved drugs as well as late-stage development products that address poorly met medical needs. We will continue to target product acquisition candidates that are competitively differentiated, have valuable intellectual property or other protective features, and allow us to leverage our existing infrastructure. Our acquisitions of Vibativ and Sancuso are examples **of the implementation** of this strategy.
- **Progressing our clinical pipeline and incubating future product opportunities at CET.** We believe it is important to build a pipeline of innovative new product opportunities, as we are doing through our ifetroban Phase II development programs. We are also supplementing our acquisitions and late-stage development activities with early-stage drug development activities with CET.
- **Leveraging our infrastructure through co-promotion partnerships.** We believe that our commercial infrastructure can help drive prescription volume and product sales. We look for strategic partners that can complement our capabilities and enhance opportunities for our brands. For example, our co-promotion partnerships have allowed us to expand the support for Kristalose **and Sancuso** across the U.S.
- **Building an international contribution to our business.** We have established our own commercial capabilities, including three sales divisions, to cover the U.S. market for our products. We are also building a network of select international partners to register our products and make them available to patients in their countries. We will continue to develop and expand our network of international partners while supporting our partners' registration and commercialization efforts in their respective territories. The acquisition of Vibativ resulted in several new international partners and market opportunities.
- **Managing our operations with financial discipline.** We continually work to manage our expenses in line with our revenues to deliver **positive** cash flow from operations. We remain in a strong financial position, with favorable gross margins and a strong balance sheet.

RECENT DEVELOPMENTS

New Headquarters Location Caldolor for Treating Infants & Supporting Study Publication

In May 2023, we announced that the FDA has approved expanded labeling for Caldolor, an intravenously delivered formulation of ibuprofen, to now include use in infants. The non-narcotic agent may now be administered for the treatment of pain and fever in patients 3 to 6 months of age.

The newly FDA-approved label includes information regarding the product's indications and usage, appropriate patient populations, clinical study results, potential side effects, patient safety details and instructions for use in these young children.

With this newly approved labeling, Caldolor is the only non-opioid product approved to treat pain in infants that is delivered through injection. Ketorolac and meloxicam are not approved for use in children, as the safety and efficacy of those drugs have not been established for pediatric patients. Acetaminophen injection is not approved for treating pain in children less than 2 years of age, as the safety and efficacy of that drug has not been established for treating pain in those pediatric patients.

In **late 2022, June 2023**, we **opened our new headquarter offices at shared the Broadwest campus** publication of positive results from a clinical study investigating the safety and pharmacokinetics of Caldolor in newborn infants, published in the **Vanderbilt/West End corridor** *Journal Pediatric Drugs*. The clinical study evaluated the safety and drug exposure profile of Nashville. Our move into Caldolor in 24 hospitalized infants between the **new state-of-the-art facilities** ages of 1 and 6 months who required treatment for pain or fever. Of the 24 patients included in the study, three were under 3 months of age, and the remaining 21 patients were 3 to 6 months of age. Twenty patients received a single dose, and four patients received multiple doses. In this study, single and multiple 10 mg/kg doses of Caldolor are reported safe, with no drug-related adverse events or renal concerns. Drug exposure following a single dose of Caldolor in infants 1 to 6 months of age was similar to what was previously reported in older children.

The results of this study support the growing body of evidence that demonstrates Caldolor is a safe therapeutic option available to practitioners for the treatment of fever and pain in infants and children.

Federal NOPAIN Act

We announced in April 2023 that we expect that our Caldolor injection product will accommodate our growth, support our team, and better serve our international base of customers and partners. The location allows us to remain close to and continue our collaboration with be eligible for special Medicare reimbursement under the *Vanderbilt Medical Center*, while also maintaining our presence Non-Opioids Prevent Addiction in the Nashville healthcare community – Nation Act (the “NOPAIN Act”), which represents was enacted as part of the nation's largest concentration Consolidated Appropriations Act of healthcare companies, 2023.

International Agreements

During the third quarter of 2022, we signed a new agreement with PiSA Pharmaceutical (“PiSA”) for the exclusive supply and distribution of our ibuprofen injection product in Mexico. Cumberland will be responsible for sharing the U.S. dossier and providing product supply, while PiSA will be responsible for obtaining the regulatory approval and then commercializing the product in Mexico. PiSA expects The NOPAIN Act requires Medicare to provide separate reimbursement for non-opioid products that are used to manage pain during surgeries conducted in outpatient hospital departments or in ambulatory surgical centers. The NOPAIN Act applies, in part, to products that are indicated to provide analgesia without acting upon the product in both 400- and 800-milligram vials, body's opioid receptors. As a result, we expect that the NOPAIN Act will affect Medicare reimbursement for Caldolor, our non-opioid analgesic injection product.

Meanwhile, we continue to support our international partners in their efforts to register our Vibativ brand in their countries.

In late 2022, we announced a new partnership with Saudi Arabia-based Tabuk Pharmaceutical to introduce Vibativ into the Middle East. The arrangement provides Tabuk exclusive rights to distribute Vibativ in Saudi Arabia and Jordan, with the option to expand into other countries in the region. Tabuk is in the process of updating the Vibativ registration in Saudi Arabia with new manufacturing information as they also prepare methodology for the launch in that country.

Also in 2022, we entered into an agreement with D.B. Pharm to register and commercialize our Vibativ product in South Korea. D.B. Pharm who also distributes our Caldolor product in South Korea, is progressing their application reimbursement for the approval of Vibativ.

Meanwhile, our Vibativ partner for the Chinese market, SciClone Pharmaceuticals, had their approval application in China accepted for review in September 2021. We've since been supporting SciClone and their requests associated with review of that submission. They are working toward the approval and believe that there is significant potential for Vibativ in their country.

Nordic Pharma Arrangements

In July 2022, we entered into an amendment to our agreement with Nordic Pharma (“Nordic”) that addresses the responsibilities and financial arrangements regarding our license to Nordic's methotrexate line of products for the U.S. (the “License”). Our line of prefilled methotrexate syringes, marketed non-opioid pain alternatives under the brand name RediTrex® in the U.S., is covered by the License.

Based on the amendment, Nordic may assume responsibility for commercializing the methotrexate NOPAIN Act will apply to those products in the U.S. after June 30, 2023. We will continue to distribute that are furnished between January 1, 2025 and support the RediTrex product line during a transition period until then. Following the return of the License, Nordic will provide us with a royalty on their future sales of the products through April 2035. The companies will continue to collaborate on any transition and the ongoing commercialization of the product line.

Cumberland has transferred the marketing authorization associated with the RediTrex product line to Nordic. Nordic has returned the 180,000 shares we issued to them associated with the original License and has refunded the \$1 million we paid following the brand's approval in the U.S. Nordic has also issued a credit note in favor of Cumberland in the amount of \$1 million for the unpaid milestone payment due from us which was associated with our launch of the product line.

Sancuso Acquisition and Promotion

In early 2022, Cumberland acquired the U.S. rights to the FDA-approved oncology-supportive care medicine Sancuso from Kyowa Kirin, Inc., the U.S. affiliate of Japan-based Kyowa Kirin Co., Ltd. In early 2022, Cumberland assumed commercial responsibility for the product in the U.S. – including its marketing, promotion, distribution, manufacturing and medical support activities. During 2022 we largely completed the transition of Sancuso to Cumberland. In late 2022, the FDA approved moving the product's manufacturer to a new facility, which will be a source of future product supplies.

Sancuso is the first and only FDA-approved prescription patch for the prevention of nausea and vomiting in patients receiving certain types of chemotherapy treatment. The active drug in Sancuso, granisetron, slowly dissolves in the thin layer of adhesive that sticks to the patient's skin and is released into their bloodstream over several days, working continuously to prevent chemotherapy-induced nausea and vomiting (“CINV”) January 1, 2028. It is applied 24 to 48 hours before receiving chemotherapy anticipated that in 2024, the Centers for Medicare & Medicaid Services will issue regulations implementing the NOPAIN Act and can prevent CINV detailing the conditions for, up to five consecutive days. Alternative oral treatments must be taken several times (day and night) to deliver amount of, the same therapeutic doses, separate reimbursement.

In early 2022, we formed a new sales division, Cumberland Oncology, to support Caldolor is approved by the brand. The division was comprised of both field-based FDA for use in adults and inside sales representatives that were formerly associated with Kyowa Kirin. In April 2022, we entered into an agreement with Verity Pharmaceuticals International Limited (“Verity”) pediatric patients 3 months and older for the national co-promotion management of Sancuso. Verity is mild to moderate pain as a specialty pharmaceutical company sole therapy, and for the management of moderate to severe pain as an adjunct to an opioid. A series of published clinical studies have demonstrated that agreed to utilize its established oncology commercial organization to co-promote Sancuso throughout the United States. Verity was to provide sales representation in the U.S. market Caldolor significantly reduces patient pain, while also significantly reducing patients' need for an initial three-year term, with an option to extend for an additional two years. In January 2023, we sent a 30-day notice of default to Verity due to failure of the parties to reach agreement regarding fundamental elements of the agreement, including targets and detailing obligations, among other items. As a result, the agreement terminated effective February 25, 2023. The agreement provides for arbitration of any unresolved issues and we are in agreement with Verity that such arbitration should proceed. opioids.

Ifetroban Clinical Studies

We have been evaluating our ifetroban product candidate, a selective thromboxane-prostanoid receptor (“TP α ”) antagonist, in a series of clinical studies. It has been dosed in nearly 1,400 subjects and has been found to be safe and well tolerated in healthy volunteers and various patient populations.

Cumberland Patient enrollment is currently sponsoring three well underway in two company sponsored Phase II clinical programs to evaluate ifetroban in patients with:

- 1) Aspirin-Exacerbated Respiratory Disease, ("AERD") a severe form of asthma;
- 2) Systemic Sclerosis or scleroderma, a debilitating autoimmune disorder characterized by diffuse fibrosis of the skin and internal organs; and
- 3) patients with cardiomyopathy the Cardiomyopathy associated with Duchenne Muscular Dystrophy ("DMD"), a rare and fatal genetic neuromuscular disease that results in deterioration of the skeletal, heart and lung muscles.

We are

In June 2023, we presented results from an interim analysis for the FIGHT DMD™ trial at the 29th annual *Parent Project Muscular Dystrophy Conference* in Dallas, Texas. The interim analysis was conducted on data from 25 patients with DMD who completed six of the 12 total months of treatment and assessments. Both doses of ifetroban were reported well tolerated in DMD participants ages 7 years of age or older. There was also designing a fourth positive trend in leg muscle strength, but no statistically significant differences were yet identified at this point.

Cumberland is sponsoring the FIGHT DMD™ trial, a multicenter, randomized, placebo-controlled Phase II program study evaluating the safety, pharmacokinetics and efficacy of two doses of oral ifetroban for the treatment of the cardiomyopathy associated DMD. The trial is evaluating 12 months of oral ifetroban in 24 subjects with early-stage cardiomyopathy and 24 subjects with advanced-stage heart disease across 10 U.S. centers that specialize in DMD cardiomyopathy. The safety and efficacy endpoints include left ventricular ejection fraction using cardiac MRI, pulmonary function, quantitative muscle strength, daily activity and quality of life measures.

The FDA Orphan Product Division awarded Cumberland \$1 million in funding under its Orphan Products Grants Program to evaluate support this trial. This was the use of ifetroban to treat patients with Progressive Fibrosing Interstitial Lung Diseases, and first DMD trial awarded such funding.

In May 2023, we have submitted an application to announced that the FDA to support has cleared the new program, which we expect to launch in 2023.

In late 2022, we closed enrollment in our Investigational New Drug Application for a Phase II study in patients with AERD. We then conducted Idiopathic Pulmonary Fibrosis ("IPF"), the most common form of progressive fibrosing interstitial lung disease. As a quality review result, we will launch our FIGHTING FIBROSIS trial designed to enroll 128 patients in over 20 medical centers of excellence across the data U.S. This Phase II clinical trial will study the safety, tolerability and clinical sites, closed the database for the study efficacy of oral ifetroban in patients with IPF. Recent studies have shown ifetroban can both prevent and are awaiting the initial results, enhance resolution of lung fibrosis in multiple preclinical models.

We have also completed Phase II clinical programs with ifetroban in patients with Hepatorenal Syndrome, ("HRS") and patients with Portal Hypertension ("PH"), and Aspirin Exasperated Respiratory Disease. Additional preclinical and pilot clinical studies of ifetroban are underway, including several investigator-initiated trials.

Our plan going forward is to complete each of our Company-sponsored studies, analyze their final data, announce top-line results and decide on the best development path for the registration of ifetroban, which we continue to believe has the potential to benefit many patients with orphan diseases that represent unmet medical needs.

In addition to our Company-sponsored studies, researchers at Brigham During the second quarter of 2023, the FDA informed us that it had granted two barrier-to-innovation waivers that would result in a refund of approximately \$1.8 million and Women's Hospital have completed an investigator-initiated study evaluating \$1.0 million that we previously paid for prescription drug program fees.

The FDA granted each waiver after concluding that Cumberland met the impact of ifetroban statutory criteria based on the aspirin desensitization process innovation associated with our ifetroban clinical development programs, as the funds could be better used to advance those studies, which are designed to address a series of unmet medical needs.

We received both refunds in June 2023.

Sancuso Acquisition and Approval of New Manufacturing Plant

In early 2022, Cumberland acquired the U.S. rights to the FDA-approved oncology-supportive care medicine Sancuso from Kyowa Kirin, Inc., the U.S. affiliate of Japan-based Kyowa Kirin Co., Ltd. Sancuso is the first and only FDA-approved prescription patch for the prevention of nausea and vomiting in patients with AERD. This single center study closed early due to poor patient accrual and exhausted funding, receiving certain types of chemotherapy treatment. The researchers found no statistical difference active drug in Sancuso, granisetron, slowly dissolves in the dose thin layer of aspirin needed adhesive that sticks to provide an increase the patient's skin and is released into their bloodstream over several days, working continuously to prevent chemotherapy-induced nausea and vomiting ("CINV"). It is applied 24 to 48 hours before receiving chemotherapy and can prevent CINV for up to five consecutive days. Alternative oral treatments must be taken several times (day and night) to deliver the same therapeutic doses.

We assumed commercial responsibility for the product in an extended version the U.S. – including its marketing, promotion, distribution, manufacturing and medical support activities – early last year and largely completed the transition of Sancuso to Cumberland throughout the remainder of the patient's total nasal symptom score. A publication by year. In late 2022, the researchers with FDA approved moving the full study results product's manufacturer to a new facility, which will be forthcoming. It should be noted that a source of future product supplies. In June 2023, we launched an expanded oncology sales division to feature the results from this investigator study were inconsistent with the previously published preclinical findings that demonstrated ifetroban blockade inhibited all features of aspirin reactions in a model of AERD product.

International Agreements

During the third quarter of 2022, we signed a new agreement with PiSA Pharmaceutical ("PiSA") for the exclusive supply and distribution of our ibuprofen injection product in Mexico. Cumberland will be responsible for sharing the U.S. dossier and providing product supply, while PiSA will be responsible for obtaining the regulatory approval and then commercializing the product in Mexico. PiSA expects to provide the product in both 400- and 800-milligram vials.

Meanwhile, we continue to support our international partners in their efforts to register our Vibativ brand in their countries.

In late 2022, we announced a new partnership with Saudi Arabia-based Tabuk Pharmaceutical to introduce Vibativ into the Middle East. The arrangement provides Tabuk exclusive rights to distribute Vibativ in Saudi Arabia and Jordan, with the option to expand into other countries in the region. Tabuk is in the process of updating the Vibativ registration in Saudi Arabia with new manufacturing information as they also prepare for the launch in that country.

Also in 2022, we entered into an agreement with D.B. Pharm to register and commercialize our Vibativ product in South Korea. D.B. Pharm, which also distributes our Caldolor product in South Korea, is progressing their application for the approval of Vibativ.

Meanwhile, our Vibativ partner for the Chinese market, SciClone Pharmaceuticals, had their approval application in China accepted for review in September 2021. We have since been supporting SciClone and their requests associated with review of that submission. They are working toward the approval and believe that there is significant potential for Vibativ in their country.

Nordic Pharma Arrangements

In July 2022, we entered into an amendment to our agreement with Nordic Pharma ("Nordic") that addresses the responsibilities and financial arrangements regarding our license to Nordic's methotrexate line of products for the U.S. (the "License"). Our former line of prefilled methotrexate syringes, marketed under the brand name RediTrex in the U.S., is covered by the License.

Cumberland has transferred the marketing authorization associated with the RediTrex product line to Nordic. As of July 1, 2023, Nordic assumed responsibility for commercializing the methotrexate products in the U.S. Now that we have returned the License, Nordic will provide us with a royalty on their future sales of the products through April 2035.

Additionally, Nordic has returned the 180,000 shares we issued to them associated with the original License and has refunded the \$1 million we paid following the brand's approval in the U.S. Nordic has also issued a credit note in favor of Cumberland in the amount of \$1 million for the unpaid milestone payment due from us which was associated with our launch of the product line.

Melinta Settlement

On June 16, 2023, we received consideration related to the breach of contract action with Melinta Therapeutics, LLC and Targanta Therapeutics Corporation (collectively, the "Defendants") that finalized a settlement agreement that was entered into by the Company and the Defendants to close the case.

In February 2022, the Company filed an action for breach of contract against the Defendants in the United States District Court for the Southern District of New York. The Company and the Defendants are parties to an agreement (the "Agreement"), pursuant to which the Defendants have a license to develop and commercialize products under certain Company patents, in exchange for the Defendants paying the Company certain milestone payments and royalties on net sales of the licensed products.

Specifically, the Agreement requires the Defendants to, among other things, make a \$500,000 payment to the Company within 30 days following the first filing of an sNDA in relation to the product (as defined in the Agreement) and a \$500,000 payment to the Company following the approval of the first sNDA in relation to the product.

After the Defendants disclosed the domiciles of its limited partners to the Company, as required by the Court, in October 2022, the action for breach of contract was refiled in the Supreme Court of the State of New York, County of New York in November, 2022.

The complaint alleged that, despite the Defendants filing an NDA and sNDA for the Product and receiving FDA approval for both applications, the Defendants failed to make the required total of \$1 million in milestone payments to the Company. The Company sought damages in the amount of no less than \$1 million.

Appointment of New Auditors

Our Board of Directors completed a review of the appointment of Cumberland's independent registered public accounting firm for the fiscal year ending December 31, 2023.

In May 2023, we informed Carr, Riggs & Ingram CPAs and Advisors ("CRI") that they were selected as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2023. CRI had obtained provisional approval as of that date, with the formal engagement of CRI being subject to CRI completing its final client acceptance process. CRI subsequently completed its final client acceptance approval process and our Audit Committee formally engaged CRI as Cumberland's independent registered public accounting firm.

Vaprisol Supply Update

Demand for the our Vaprisol product increased in 2020 during the pandemic, and we worked to support the expanded use of the product in hospitals and clinics during the health care crisis. During 2021, we shipped all remaining inventory of the product and have notified the FDA that supplies of the product are not currently available. We have since transferred the manufacturing of the product to a new facility. Our new manufacturing partner is working with the FDA to address several Form 483 and warning letter issues in a timely manner. Meanwhile, we are working with them to support a special, interim supply of compounded product for critically ill patients, while awaiting the needed facility FDA approval to relaunch Vaprisol.

Omeclamox-Pak Supply Update

The packager for Omeclamox-Pak encountered financial difficulties in 2020 due to the impact of the COVID-19 pandemic, and their operations were suspended. As a result, we depleted our inventory of the product and notified the FDA that it is currently unavailable. We are awaiting resumption availability of those operations, while also exploring other alternatives to restart the product's packaging.

Sustainability Report

Earlier this year we provided updated sustainability metrics, which cover company activities pertaining to environmental, social and governance issues. Highlights for 2022 include:

- a. Providing 2.2 million doses of our products to patients;
- b. Safely disposing of over 2,750 pounds of expired and damaged products; and
- c. Having no product recalls or terminated clinical trials due to failure to practice good clinical standards.

As the largest biopharmaceutical company founded and headquartered in the Mid-South, we hold ourselves to the highest standards of ethical practices and understand the importance of recognizing and addressing our impact on our constituents, the community and the environment. Through our sustainability initiatives, we will continue to identify and address critical industry issues, monitor relevant guidelines and utilize best practices.

FDA Fee Waiver

In March 2023, the FDA informed us that it had granted a barrier-to-innovation waiver, which will result in a refund of approximately \$1.8 million that we previously paid for prescription drug program fees associated with the RediTrex® product line.

The FDA granted the barrier-to-innovation waiver after concluding that the Company met the statutory criteria, based on the innovation associated with Cumberland's ifetroban clinical development programs, as the funds could be better used to advance those studies which are designed to address a series of unmet medical needs.

The FDA's decision was in response to a request for reconsideration that Cumberland provided on November 28, 2021, after the agency had initially denied Cumberland's submission for a waiver in a decision dated November 1, 2021. Cumberland paid the FDA the fiscal year 2022 RediTrex prescription drug program fees in the amount of approximately \$1.8 million on or about October 4, 2021. The fees were assessed under the Prescription Drug User Fee Act.

The FDA informed Cumberland on March 30, 2023, that the agency's Office of Financial Management had been asked to provide a refund of the fees, which is expected within 45 days.

Federal NOPAIN Act

In April 2023, Cumberland announced that it expects that its Caldolor® injection product should be eligible for special Medicare reimbursement under the *Non-Opioids Prevent Addiction in the Nation Act* (the "NOPAIN Act"), which was enacted as part of the Consolidated Appropriations Act of 2023.

The NOPAIN Act requires Medicare to provide separate reimbursement for non-opioid products that are used to manage pain during surgeries conducted in outpatient hospital departments or in ambulatory surgical centers. The NOPAIN Act applies, in part, to products that are indicated to provide analgesia without acting upon the body's opioid receptors. As a result, the Company expects that the NOPAIN Act will affect Medicare reimbursement for Caldolor, Cumberland's non-opioid analgesic injection product.

The methodology for reimbursement for non-opioid pain alternatives under the NOPAIN Act will apply to those products that are furnished between January 1, 2025 and January 1, 2028. It is anticipated that in 2024, the Centers for Medicare & Medicaid Services (CMS) will issue regulations implementing the NOPAIN Act and detailing the conditions for, and amount of, the separate reimbursement.

Caldolor is approved by the U.S. Food and Drug Administration (FDA) for use in adults and pediatric patients six months and older, for the management of mild to moderate pain as a sole therapy, and for the management of moderate to severe pain as an adjunct to an opioid. A series of published clinical studies have demonstrated that Caldolor significantly reduces patient pain, while also significantly reducing patients' need for opioids.

Summary

Cumberland remains **We remain** committed to our mission of providing innovative products that improve the quality of care for patients and address poorly met medical needs. We are working to fulfill this mission by building a portfolio of innovative and differentiated products through a multifaceted strategy that includes the development of new candidates as well as the acquisition of established brands. Our resulting, diversified product line has enabled us to weather external challenges while our team remains responsive to the evolving medical market. We are prepared for and look forward to future opportunities to carry out our mission throughout the **remainder second half** of the year.

CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT JUDGMENTS AND ESTIMATES

Please see a discussion of our critical accounting policies and significant judgments and estimates in Note 1 to the Company's Condensed Consolidated Financial Statements accompanying this report and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2022 Annual Report on Form 10-K.

Accounting Estimates and Judgments

The preparation of condensed consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. We base our estimates on past experience and on other factors we deem reasonable given the circumstances. Past results help form the basis of our judgments about the carrying value of assets and liabilities that cannot be determined from other sources. Actual results could differ from these estimates. The Company's most significant estimates include: (1) its allowances for chargebacks and accruals for rebates and product returns, (2) the allowances for obsolescent or unmarketable inventory and (3) valuation of contingent consideration liabilities associated with business combinations.

RESULTS OF OPERATIONS

Three months ended **March 31, 2023** **June 30, 2023** compared to the three months ended **March 31, 2022** **June 30, 2022**

The following table presents the unaudited interim statements of operations for continuing operations for the three months ended **March 31, 2023** **June 30, 2023** and 2022:

		Three months ended March 31,					Three months ended June 30,		
		2023	2022	Change			2023	2022	Change
Net revenues	Net revenues	\$ 9,224,638	\$ 11,175,045	\$ (1,950,407)	Net revenues	\$ 10,888,877	\$ 10,299,152	\$ 589,725	
Costs and expenses:	Costs and expenses:				Costs and expenses:				
Cost of products sold	Cost of products sold	1,250,264	2,211,885	(961,621)	Cost of products sold	1,520,774	2,031,884	(511,110)	
Selling and marketing	Selling and marketing	4,277,318	4,614,429	(337,111)	Selling and marketing	4,672,075	4,556,685	115,390	
Research and development	Research and development	1,499,670	1,745,136	(245,466)	Research and development	1,145,038	1,823,693	(678,655)	

General and administrative	General and administrative	2,498,993	2,302,349	196,644	General and administrative	2,369,883	2,203,975	165,908
Amortization	Amortization	1,230,071	1,593,245	(363,174)	Amortization	1,158,248	1,529,453	(371,205)
Total costs and expenses	Total costs and expenses	10,756,316	12,467,044	(1,710,728)	Total costs and expenses	10,866,018	12,145,690	(1,279,672)
Operating income (loss)	Operating income (loss)	(1,531,678)	(1,291,999)	(239,679)	Operating income (loss)	22,859	(1,846,538)	1,869,397
Interest income	Interest income	50,190	16,041	34,149	Interest income	57,061	15,066	41,995
Other income	Other income	1,847,065	—	1,847,065	Other income	981,806	—	981,806
Other income - gain on insurance proceeds					Other income - gain on insurance proceeds	—	611,330	(611,330)
Interest expense	Interest expense	(186,353)	(119,575)	(66,778)	Interest expense	(192,635)	(137,624)	(55,011)
Income (loss) before income taxes	Income (loss) before income taxes	179,224	(1,395,533)	1,574,757	Income (loss) before income taxes	869,091	(1,357,766)	2,226,857
Income tax (expense) benefit		(6,938)	(6,900)	(38)				
Income tax expense					Income tax expense	(6,937)	(6,900)	(37)
Net income (loss)	Net income (loss)	\$ 172,286	\$ (1,402,433)	\$ 1,574,719	Net income (loss)	\$ 862,154	\$ (1,364,666)	\$ 2,226,820

The following table summarizes net revenues by product for the periods presented:

Products:	Products:	Three months ended March 31,			Products:	Three months ended June 30,		
		2023	2022	Change		2023	2022	Change
Kristalose	Kristalose	\$ 4,315,128	\$ 3,945,097	\$ 370,031	Kristalose	\$ 4,110,718	\$ 3,570,272	\$ 540,446
Sancuso	Sancuso	1,886,793	3,397,209	(1,510,416)	Sancuso	1,916,966	3,398,548	(1,481,582)
Vibativ	Vibativ	1,848,187	2,501,434	(653,247)	Vibativ	2,147,826	1,596,821	551,005
Caldolor	Caldolor	935,043	959,634	(24,591)	Caldolor	1,226,314	1,193,916	32,398
Acetadote	Acetadote	169,856	111,090	58,766	Acetadote	150,163	126,789	23,374
Vaprisol	Vaprisol	16,008	(117,000)	133,008	Vaprisol	23,857	(134,621)	158,478
Omeclamox-Pak	Omeclamox-Pak	(2,518)	22,737	(25,255)	Omeclamox-Pak	8,062	(26,412)	34,474
RediTrex	RediTrex	(141,045)	59,226	(200,271)	RediTrex	9,493	93,676	(84,183)
Other revenue	Other revenue	197,186	295,618	(98,432)	Other revenue	1,295,478	480,163	815,315
Total net revenues	Total net revenues	\$ 9,224,638	\$ 11,175,045	\$ (1,950,407)	Total net revenues	\$ 10,888,877	\$ 10,299,152	\$ 589,725

Net revenues. Net revenues for the three months ended **March 31, 2023** **June 30, 2023**, were **\$9.2 million** **\$10.9 million** compared to **\$11.2 million** **\$10.3 million** for the three months ended **March 31, 2022** **June 30, 2022**. As noted in the table above, net revenue increased during the quarter for **two** **four** of our marketed products: Kristalose, Vibativ, Caldolor and Acetadote.

Kristalose revenue of **\$4.3 million** **\$4.1 million** for the **first** **second** quarter of 2023, represented an increase of **\$0.4 million** **\$0.5 million** when compared to the prior year period. The increase was primarily the result of increased shipments of the product.

Acetadote revenue includes net sales of our Acetadote brand and our share of net sales from our Authorized Generic. During the **first** **second** quarter of 2023, there was an increase of **\$0.1 million** **\$0.02 million** in the **branded** product's revenue when compared to the prior year period due to increased shipments of the product.

There was no Vaprisol revenue for the **first** **second** quarter of 2023 **an increase as Cumberland is currently out of** **\$0.1 million compared to** **inventory of the same period last year.** **This increase is primarily** **product.** Net revenue was positively impacted due to normal adjustments to expired product **reserves,** **returns.** We await FDA approval on a new manufacturer.

Caldolor revenue was **\$0.9 million** **\$1.2 million** for the **first** **second** quarter of 2023, similar to the **first** **second** quarter of 2022.

Vibativ revenue was **\$1.8 million** **\$2.1 million** for the three months ended **March 31, 2023** **June 30, 2023**, **which declined** **\$0.7 million** **an increase of** **\$0.6 million** from the same prior year period. The **decrease** **increase** in net revenue of the product was the result of **lower** **increased** unit shipments.

Sancuso revenue was \$1.9 million for the first second quarter of 2023, which was \$1.5 million lower than the first second quarter of 2022. The decline primarily resulted from larger product returns associated with the inventory acquired at the acquisition of the product and lower sales, other increased sales deductions.

Omeclamox-Pak had no sales for the first second quarter of 2023, as Cumberland is currently out of commercial inventory of this product. The packager for our Omeclamox-Pak product encountered financial difficulties in 2020. Net revenue for the three months ended March 31, 2023 June 30, 2023, reflects sales deduction adjustments.

Other revenue of \$1.3 million for the three months ended June 30, 2023 was \$0.8 million higher than the prior year period due to higher milestone payments recognized.

Cost of products sold. Cost of products sold for the first second quarter of 2023 and 2022 were \$1.3 million \$1.5 million and \$2.2 million \$2.0 million, respectively. Cost of products sold, as a percentage of net revenues, were 13.6% 14.0% during the three months ended March 31, 2023 June 30, 2023, compared to 19.8% 19.7% during the three months ended March 31, 2022 June 30, 2022. The improvement in cost of products sold is primarily due to the availability of new lower cost inventory and less inventory write-offs, write-downs.

Selling and marketing. Selling and marketing expense for the first second quarter of 2023 decreased \$0.3 million increased \$0.1 million compared to the same period last year. This decrease increase is primarily attributable to lower royalty expenses, the timing of spending.

Research and development. Research and development costs for the first second quarter of 2023 and 2022 were \$1.5 million \$1.1 million and \$1.7 million \$1.8 million, respectively. A portion of our research and development costs is variable based on the number of trials, study sites, number of patients and the cost per patient in each of our clinical programs. We continue to fund our ongoing clinical initiatives associated with our pipeline product candidates. The decrease in costs for the first second quarter of 2023 results from lower FDA fees in 2023.

General and administrative. General and administrative expense increased to \$2.5 million \$2.4 million for the first second quarter of 2023, compared to \$2.3 million \$2.2 million for the first second quarter of 2022, an increase of \$0.2 million. The increase was primarily attributable to increases in deferred compensation expenses.

The components of the statements of operations discussed above reflect the following impacts from Vibativ:

Financial Impact of Vibativ	Financial Impact of Vibativ	Three months ended March 31,		Financial Impact of Vibativ	Three months ended June 30,	
		2023	2022		2023	2022
Net revenue ⁽¹⁾	Net revenue ⁽¹⁾	\$ 1,848,187	\$ 2,651,434	Net revenue ⁽¹⁾	\$ 3,147,826	\$ 1,596,821
Cost of products sold ⁽²⁾	Cost of products sold ⁽²⁾	246,742	927,160	Cost of products sold ⁽²⁾	270,571	402,320
Royalty and operating expenses	Royalty and operating expenses	519,608	681,317	Royalty and operating expenses	597,019	(17,957)
Vibativ contribution	Vibativ contribution	\$ 1,081,837	\$ 1,042,957	Vibativ contribution	\$ 2,280,236	\$ 1,212,458

⁽¹⁾ 2022 In the second quarter of 2023, net revenue includes a \$150,000 \$1,000,000 payment to Cumberland required under the terms related to a settlement agreement of a new licensee agreement, milestone payments.

⁽²⁾ The Vibativ inventory included in the costs of product sold during the period was acquired and paid for by Cumberland as part of the acquisition of the brand during 2018.

The components of the statements of operations discussed above reflect the following impacts from Sancuso:

Financial Impact of Sancuso	Financial Impact of Sancuso	Three months ended March 31,		Financial Impact of Sancuso	Three months ended June 30,	
		2023	2022		2023	2022
Net revenue	Net revenue	\$ 1,886,793	\$ 3,397,209	Net revenue	\$ 1,916,966	\$ 3,648,548
Cost of products sold ⁽¹⁾	Cost of products sold ⁽¹⁾	289,478	388,264	Cost of products sold ⁽¹⁾	281,828	360,572
Royalty and operating expenses	Royalty and operating expenses	415,707	910,100	Royalty and operating expenses	1,407,097	992,922
Sancuso contribution	Sancuso contribution	\$ 1,181,608	\$ 2,098,845	Sancuso contribution	\$ 228,041	\$ 2,295,054

⁽¹⁾ The Sancuso inventory included in the costs of product sold during the period was acquired and paid for by Cumberland as part of the acquisition of the brand during 2022.

Amortization. Amortization expense is the ratable use of our capitalized intangible assets including product and license rights, patents, trademarks and patent defense costs. Amortization for the three months ended March 31, 2023 June 30, 2023 and 2022, totaled approximately \$1.2 million and \$1.6 million \$1.5 million, respectively. The decline in amortization expense resulted from adjustments to the useful life of Sancuso during the valuation of the product in December 2022.

Income taxes. Income tax expense for the three months ended March 31, 2023 June 30, 2023, was comparable to the income tax expense for the three months ended March 31, 2022 June 30, 2022.

As of **March 31, 2023** **June 30, 2023**, we had approximately **\$57.8 million** **\$53.1 million** in federal net operating loss carryforwards including approximately \$44 million of net operating loss carryforwards resulting from the exercise of nonqualified stock options that have historically been used to significantly offset income tax obligations. We expect to continue to pay minimal income taxes during 2023 and beyond, through the continued utilization of these net operating loss carryforwards, on any taxable income generated from our operations.

Other income. In the second quarter of 2023, we recognized a \$1.0 million refund of 2023 FDA fees to be used to further our product research efforts.

RESULTS OF OPERATIONS

Six months ended June 30, 2023 compared to the six months ended June 30, 2022

The following table presents the unaudited interim statements of operations for continuing operations for the six months ended June 30, 2023 and 2022:

	Six months ended June 30,		
	2023	2022	Change
Net revenues	\$ 20,113,515	\$ 21,474,197	\$ (1,360,682)
Costs and expenses:			
Cost of products sold	2,771,038	4,243,769	(1,472,731)
Selling and marketing	8,949,393	9,171,114	(221,721)
Research and development	2,644,708	3,568,829	(924,121)
General and administrative	4,868,876	4,506,324	362,552
Amortization	2,388,319	3,122,698	(734,379)
Total costs and expenses	21,622,334	24,612,734	(2,990,400)
Operating loss	(1,508,819)	(3,138,537)	1,629,718
Interest income	107,251	31,107	76,144
Other income	2,828,871	—	2,828,871
Other income - gain on insurance proceeds	—	611,330	(611,330)
Interest expense	(378,988)	(257,199)	(121,789)
Income (loss) before income taxes	1,048,315	(2,753,299)	3,801,614
Income tax expense	(13,875)	(13,800)	(75)
Net income (loss)	\$ 1,034,440	\$ (2,767,099)	\$ 3,801,539

The following table summarizes net revenues by product for the periods presented:

	Six months ended June 30,		
	2023	2022	Change
Products:			
Kristalose	\$ 8,425,846	\$ 7,515,368	\$ 910,478
Sancuso	3,803,759	6,795,758	(2,991,999)
Vibativ	3,996,013	4,098,255	(102,242)
Caldolor	2,161,356	2,153,546	7,810
Vaprisol	39,866	(251,623)	291,489
Acetadote	320,019	237,884	82,135
Omeclamox-Pak	5,544	(3,676)	9,220
RediTrex	(131,552)	152,904	(284,456)
Other revenue	1,492,664	775,781	716,883
Total net revenues	\$ 20,113,515	\$ 21,474,197	\$ (1,360,682)

Net revenues. Net revenues for the six months ended June 30, 2023, were \$20.1 million compared to \$21.5 million for the six months ended June 30, 2022, a decrease of \$1.4 million.

Kristalose revenue was \$8.4 million during the first six months of 2023, compared to \$7.5 million for the prior year period. Revenue increased due to overall increased unit volume in 2023.

Sancuso revenue was \$3.8 million for the six months ended June 30, 2023, compared to \$6.8 million for the same period last year. The decline resulted from lower sales volume and higher sales deductions in 2023.

Vibativ revenue was \$4.0 million for the six months ended June 30, 2023, compared to \$4.1 million for the same period last year. The decrease in net revenue was a result of higher sales volume for the product during the six months ended June 30, 2022.

There was no Vaprisol revenue for the first six months of 2023 as Cumberland is currently out of commercial inventory of the product. Net revenue was positively impacted by various sales adjustments.

Omeclamox-Pak had no sales for the six months ended June 30, 2023, as Cumberland is currently out of commercial inventory of this product. The packager for our Omeclamox-Pak product encountered financial difficulties and currently is under new management and a reorganization. We are in discussions about the resumption of packaging the product.

Acetadote revenue includes net sales of our Acetadote brand and our share of net sales from our Authorized Generic. There was a \$0.1 million increase in the product's year to date revenue for the six months ended June 30, 2023, when compared to the prior year period as a result of increased sales of our Authorized Generic and a decrease in expired product returns in 2023.

Caldolor revenue was \$2.2 million for the first two quarters of 2023, at the same level as 2022.

Other revenue was \$1.5 million for the six months ended June 30, 2023, representing a \$0.7 million increase from the same period in 2022, as a result of two milestone payments recognized in 2023.

Cost of products sold. Cost of products sold for the first six months of 2023 were \$2.8 million, a decrease of \$1.5 million compared to the same period last year due to the availability of new lower cost inventory and fewer inventory write downs.

Selling and marketing. Selling and marketing expense for the six months ended June 30, 2023, decreased \$0.2 million compared to the prior year period. This decline is primarily attributable to the timing of spending.

Research and development. Research and development costs were \$2.6 million for the first six months of 2023 compared to \$3.6 million for the same period last year. A portion of our research and development costs is variable based on the number of trials, study sites, cost of the per patient study protocol and patients involved in the development of our new product candidates. We continue to fund our ongoing clinical initiatives associated with our pipeline product candidates. In addition, 2023 R&D costs declined by \$0.9 million due to reduced FDA fees.

General and administrative. General and administrative expense for the six months ended June 30, 2023, increased to \$4.9 million compared to \$4.5 million during the six months ended June 30, 2022. In 2023, we experienced an increase in deferred compensation and hiring expenses.

The components of the statements of operations discussed above reflect the following impacts from Vibativ:

Financial Impact of Vibativ	Six months ended June 30,	
	2023	2022
Net revenue ⁽¹⁾	\$ 4,996,013	\$ 4,248,255
Cost of products sold ⁽²⁾	517,313	1,329,480
Royalty and operating expenses	1,116,627	663,360
Vibativ contribution	\$ 3,362,073	\$ 2,255,415

⁽¹⁾ 2023 net revenue includes a \$1,000,000 payment to Cumberland related to a settlement agreement of milestone payments.

⁽²⁾ The Vibativ inventory included in the costs of product sold during the period was acquired and paid for by Cumberland as part of the acquisition of the brand during 2018.

Financial Impact of Vibativ	Since Acquisition
Net revenue ⁽¹⁾	\$ 48,754,498
Cost of products sold ⁽²⁾	16,242,420
Royalty and operating expenses	7,653,817
Vibativ contribution	\$ 24,858,261

⁽¹⁾ Net revenue includes a \$1,000,000 payment to Cumberland related to a settlement agreement of milestone payments.

⁽²⁾ The Vibativ inventory included in the costs of product sold during the period was acquired and paid for by Cumberland as part of the acquisition of the brand during 2018.

The components of the statements of operations discussed above reflect the following impacts from Sancuso:

Financial Impact of Sancuso	Six months ended June 30,	
	2023	2022
Net revenue	\$ 3,803,759	\$ 7,045,758
Cost of products sold ⁽¹⁾	571,306	748,836
Royalty and operating expenses	1,822,804	1,903,022
Sancuso contribution	\$ 1,409,649	\$ 4,393,900

⁽¹⁾ The Sancuso inventory included in the costs of product sold during the period was acquired and paid for by Cumberland as part of the acquisition of the brand during 2022.

Financial Impact of Sancuso	Since Acquisition
Net revenue	\$ 17,359,362
Cost of products sold ⁽¹⁾	2,114,906
Royalty and operating expenses	6,024,830
Sancuso contribution	\$ 9,219,626

⁽¹⁾ The Sancuso inventory included in the costs of product sold during the period was acquired and paid for by Cumberland as part of the acquisition of the brand during 2022.

Amortization. Amortization expense is the ratable use of our capitalized intangible assets including product and license rights, patents, trademarks and patent defense costs. Amortization for the six months ended June 30, 2023, and six months ended June 30, 2022, totaled approximately \$2.4 million and \$3.1 million, respectively. The decrease was attributable to the valuation of Sancuso acquisition completed in December 2022.

Income taxes. Income tax expense for the six months ended June 30, 2023, as a percentage of income (loss) before income taxes, was 1.3% compared to (0.5)% for the six months ended June 30, 2022.

Other income. In 2023, we recognized a \$2.8 million refund of FDA fees for the periods of 2022 and 2023 to be used to further our product research efforts.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital

Our primary sources of liquidity are cash equivalents, cash flows from operations and the amounts borrowed under our line of credit. We believe that our internally generated cash flows, existing working capital and our line of credit will be adequate to finance internal growth, finance business development initiatives, and fund capital expenditures for the foreseeable future.

The following table summarizes our liquidity and working capital as of **March 31, 2023**, **June 30, 2023** and December 31, 2022:

	March 31, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Cash and cash equivalents	Cash and cash equivalents \$ 16,386,166	Cash and cash equivalents \$ 19,757,970	Cash and cash equivalents \$ 18,249,086	Cash and cash equivalents \$ 19,757,970
Working capital (current assets less current liabilities)	Working capital (current assets less current liabilities) \$ 18,103,385	Working capital (current assets less current liabilities) \$ 17,290,378	Working capital (current assets less current liabilities) \$ 16,715,046	Working capital (current assets less current liabilities) \$ 17,290,378
Current ratio (multiple of current assets to current liabilities)	Current ratio (multiple of current assets to current liabilities) 1.7	Current ratio (multiple of current assets to current liabilities) 1.6	Current ratio (multiple of current assets to current liabilities) 1.6	Current ratio (multiple of current assets to current liabilities) 1.6
Revolving line of credit availability	Revolving line of credit availability \$ 3,927,714	Revolving line of credit availability \$ 3,800,000	Revolving line of credit availability \$ 6,851,875	Revolving line of credit availability \$ 3,800,000

The following table summarizes our net changes in cash and cash equivalents for the **three** **six** months ended **March 31, 2023**, **June 30, 2023** and **March 31, 2022**, **June 30, 2022**:

		Three months ended March 31,			Six months ended June 30,	
		2023	2022		2023	2022
Net cash provided by (used in):	Net cash provided by (used in):			Net cash provided by (used in):		
Operating activities	Operating activities	\$ (1,418,209)	\$ (150,498)	Operating activities	\$ 3,817,152	\$ 2,180,038
Investing activities	Investing activities	(174,453)	(13,541,898)	Investing activities	(271,261)	(13,714,489)
Financing activities	Financing activities	(1,779,142)	3,918,365	Financing activities	(5,054,775)	2,710,200
Net increase (decrease) in cash and cash equivalents	Net increase (decrease) in cash and cash equivalents	\$ (3,371,804)	\$ (9,774,031)	Net increase (decrease) in cash and cash equivalents	\$ (1,508,884)	\$ (8,824,251)

The net **\$3.4 million** **\$1.5 million** decrease in cash and cash equivalents for the **three** **six** months ended **March 31, 2023**, **June 30, 2023**, was primarily attributable to cash used in **operating** **investing** and financing activities. A decrease **An increase** of cash **used in** provided by operating activities of **\$1.4 million** **\$3.8 million** was primarily the result of an **unfavorable** increase in inventory of \$0.2 million and the offsetting positive impact from a decrease of accounts receivable of **\$1.4 million** (which includes a **\$1.8 million** receivable for

the approved PDUFA fee refund) \$0.9 million, a decrease an increase of net accounts payable and other current liabilities of \$1.1 million \$0.5 million, an increase of long-term obligations of \$0.3 million and the offsetting positive impact from the add backs of non-cash expenses of depreciation, amortization and share-based compensation expense totaling \$1.3 million \$2.6 million. Cash used in investing activities of \$0.2 million \$0.3 million was the result of additions to property and equipment and intangibles. Financing activities use of cash was \$1.8 million \$5.1 million and include the repayments on our line of credit of \$0.1 million \$3.1 million, the \$0.2 million \$0.3 million in cash used to repurchase shares of our common stock as well as the \$1.5 million \$1.7 million used for the payment of a Sancuso milestone, plus royalties on sales of Vibativ and Sancuso.

The net \$9.8 million \$8.8 million decrease in cash and cash equivalents for the three six months ended March 31, 2022 June 30, 2022, was primarily attributable to cash used in investing and partially offset by cash provided by operating and financing activities. Cash used in provided by operating activities of \$0.2 million \$2.2 million was primarily the result of accounts receivable increasing by \$7.8 million mainly from Sancuso sales, positively impacted by decreases a decrease in inventory of \$2.3 million \$2.9 million, decrease in other assets of \$1.2 million and increases in accounts payable and other liabilities of \$4.4 million \$4.7 million, as well as the add back of non-cash expenses of depreciation, amortization and share-based compensation expense totaling \$1.8 million \$3.4 million. This was partially offset by accounts receivable increasing by \$5.5 million, mainly from the addition of Sancuso sales and the decrease in long-term liabilities of \$1.7 million. Cash used in investing activities was the result of the acquisition of Sancuso. Our financing activities included the increase in our line of credit of \$5.0 million \$4.0 million partially offset by the \$0.6 million \$0.8 million in cash used to repurchase shares of our common stock as well as the \$0.5 million used for the payment of royalties for sales of Vibativ and Sancuso. Vibativ.

Debt Agreement

On September 29, 2022, the Company entered into the Ninth Amendment to the Revolving Credit Loan Agreement with Pinnacle Bank (as amended, the "Pinnacle Agreement") to update the Funded Debt Ratio to mean the ratio of (i) Funded Debt less the amount of Unrestricted Cash in excess of \$8,500,000, to (ii) EBITDA, as determined at the end of each fiscal quarter on a rolling four (4) quarter basis. For the quarter ended March 31, 2023 June 30, 2023, we were in compliance with the Funded Debt Ratio financial covenant.

On June 30, 2022, the Company entered into the Eighth Amendment to the Revolving Credit Loan Agreement with Pinnacle Bank permitting the Maximum Funded Debt Ratio to be calculated on a rolling four-quarter basis to be no more than 3.00 to 1.00 for the second and third quarters of 2022 and 2.50 to 1.00 for each quarter thereafter.

On March 31, 2022, the Company and Pinnacle Bank entered into a Seventh Amendment to the Revolving Credit Loan Agreement to revise and update the Maximum Funded Debt Ratio financial covenant and to delete from the Pinnacle Agreement the Funded Debt to Tangible Capital Ratio financial covenant. These changes were made to more appropriately reflect the impact from the Sancuso acquisition.

On December 31, 2021, the Company and Pinnacle Bank entered into the Fifth Amendment to the Revolving Credit Note and the Sixth Amendment to the Revolving Credit Loan Agreement in order to increase the principal amount of the Note from \$15 million to \$20 million. On October 28, 2021, the Company entered into a Fourth Amendment to the Revolving Credit Note and Fifth Amendment to Revolving Credit Loan Agreement with Pinnacle Bank. Among other terms, the Fourth Amendment extended the maturity date to October 1, 2024.

OFF-BALANCE SHEET ARRANGEMENTS

During the three six months ended March 31, 2023 June 30, 2023 and 2022, we did not engage in any off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

We are exposed to market risk related to changes in interest rates on our cash on deposit in highly-liquid money market accounts and our revolving credit facility. We do not utilize derivative financial instruments or other market risk-sensitive instruments to manage exposure to interest rate changes. The main objective of our cash investment activities is to preserve principal while maximizing interest income through low-risk investments.

We believe that our interest rate risk related to our cash and cash equivalents is not material. The risk related to interest rates for these accounts would produce less income than expected if market interest rates fall. Based on current interest rates, we do not believe we are exposed to significant downside risk related to a change in interest on our money market accounts at March 31, 2023 June 30, 2023.

The interest rate risk related to borrowings under our line of credit is was based on LIBOR plus an interest rate spread. The current pricing under the Pinnacle Agreement provides for an interest rate spread of 1.75% to 2.75% above LIBOR with a minimum LIBOR of 0.90%. The LIBOR rate will no longer be used as of June 30, 2023, at which time the benchmark rate was changed from LIBOR to SOFR. The applicable interest rate under the Pinnacle Agreement was 7.375% 8.0% at March 31, 2023 June 30, 2023. As of March 31, 2023 June 30, 2023, we had \$16.1 million \$13.1 million in borrowings outstanding under our revolving credit facility.

Exchange Rate Risk

While we operate primarily in the United States, we are exposed to foreign currency risk. Currently, we do not utilize financial instruments to hedge exposure to foreign currency fluctuations. We believe our exposure to foreign currency fluctuation is minimal as our purchases in foreign currency have a maximum exposure of 90 days based on invoice terms with a portion of the exposure being limited to 30 days based on the due date of the invoice. Foreign currency exchange gains and losses were immaterial for the three six months ended March 31, 2023 June 30, 2023 and 2022. Neither a five percent increase nor decrease from current exchange rates would have a material effect on our operating results or financial condition.

Item 4. Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

During the three months ended **March 31, 2023** **June 30, 2023**, there has not been any change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

Please see discussion of *Melinta Settlement* in Part I, Item. 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, which is incorporated herein by reference.

In addition, the information required by this item is incorporated by reference from Part I, Item 1. Financial Statements, Notes to Unaudited Condensed Consolidated Financial Statements, Note 10.

Item 1A. Risk Factors

In addition to the other information set forth in this quarterly report, an investor should consider the risk factors included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022.

Our operations are subject to the effects of a rising rate of inflation.

Inflation rates have increased recently to levels not seen in decades. If our costs, in particular costs related to clinical trial expenses and/or employee-related expenses, were to become subject to significant inflationary pressures, it may adversely impact our business, operating results and financial condition. In addition, the United States Federal Reserve has raised, and is expected to continue to raise, interest rates in response to concerns about inflation. Increases in interest rates, especially if coupled with reduced government spending and volatility in financial markets, may further increase economic uncertainty and heighten these risks. Although we do not believe that inflation has had a material impact on our financial position or results of operations to date, we may experience increases in the near future (especially if inflation rates continue to rise) on our operating costs, including our labor costs and research and development costs, due to supply chain constraints, consequences associated with COVID-19, and the ongoing conflict between Russia and Ukraine, and employee availability and wage increases.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Purchases of Equity Securities

We currently have a share repurchase program to purchase up to \$10 million of our common stock pursuant to Rule 10b-18 of the Exchange Act. In January 2019, our Board of Directors established the current \$10 million repurchase program to replace the prior authorizations for repurchases of our outstanding common stock.

The following table summarizes the activity, by month, during the three months ended **March 31, 2023** **June 30, 2023**:

Period	Total Number of Shares or Units Purchased, which were also Part of the Publicly Announced Plans or Programs	Average Price Paid per Share (or Unit)	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
January	18,122	\$ 2.60	3,706,634
February	10,663	2.63	3,678,628
March	58,044	1.94	3,565,836
Total	86,829		

Period	Total Number of Shares or Units Purchased, which were also Part of the Publicly Announced Plans or Programs	Average Price Paid per Share (or Unit)	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
April	15,270	\$ 1.96	3,535,851
May	32,427	1.73	3,479,730
June	51,360	1.66	3,394,220
Total	99,057		

Item 6. Exhibits

No.	Description
10.1* 10.1	Employment Agreement dated March 9, 2023, effective as of January 1, 2023, by Amendment Number 3 to the Amended and between A.J. Kazimi and Cumberland Pharmaceuticals Inc. (incorporated Restated 2007 Long-Term Incentive Compensation Plan, incorporated herein by reference to Exhibit 10.11 Appendix A of the Company's Current Report on Form 8-K, File Schedule 14A (File No. 001-33637, : 001-33637) as filed with the Securities SEC on March 15, 2023 and Exchange Commission approved by the Company's shareholders on March 15, 2023),
10.2*	Employment Agreement dated March 9, 2023, effective as of January 1, 2023, by and between Jim Herman and Cumberland Pharmaceuticals Inc. (incorporated by reference to Exhibit 10.12 of the Company's Current Report on Form 8-K, File No. 001-33637, filed with the Securities and Exchange Commission on March 15, 2023),
10.3*	Employment Agreement dated March 9, 2023, effective as of January 1, 2023, by and between Todd Anthony and Cumberland Pharmaceuticals Inc. (incorporated by reference to Exhibit 10.13 of the Company's Current Report on Form 8-K, File No. 001-33637, filed with the Securities and Exchange Commission on March 15, 2023),
10.4*	Employment Agreement dated March 9, 2023, effective as of January 1, 2023, by and between Chris Bitterman and Cumberland Pharmaceuticals Inc. (incorporated by reference to Exhibit 10.14 of the Company's Current Report on Form 8-K, File No. 001-33637, filed with the Securities and Exchange Commission on March 15, 2023),
10.5*	Employment Agreement dated March 9, 2023, effective as of January 1, 2023, by and between John M. Hamm and Cumberland Pharmaceuticals Inc. (incorporated by reference to Exhibit 10.15 of the Company's Current Report on Form 8-K, File No. 001-33637, filed with the Securities and Exchange Commission on March 15, 2023), April 25, 2023,
31.1*	Certification of Chief Executive Officer Pursuant to Rule 13-14(a) of the Securities Exchange Act of 1934 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002,
31.2*	Certification of Chief Financial Officer Pursuant to Rule 13-14(a) of the Securities Exchange Act of 1934 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002,
32.1**	Certification of Chief Executive and Principal 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*	INLINE XBRL INSTANCE DOCUMENT - THE INSTANCE DOCUMENT DOES NOT APPEAR IN THE INTERACTIVE DATA FILE BECAUSE ITS XBRL TAGS ARE EMBEDDED WITHIN THE INLINE XBRL DOCUMENT.
101.SCH*	INLINE XBRL TAXONOMY EXTENSION SCHEMA DOCUMENT
101.CAL*	INLINE XBRL TAXONOMY EXTENSION CALCULATION LINKBASE DOCUMENT
101.DEF*	INLINE XBRL TAXONOMY EXTENSION DEFINITION LINKBASE DOCUMENT
101.LAB*	INLINE XBRL TAXONOMY EXTENSION LABEL LINKBASE DOCUMENT
101.PRE*	INLINE XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE DOCUMENT
104	COVER PAGE INTERACTIVE DATA FILE (FORMATTED AS INLINE XBRL AND CONTAINED IN EXHIBIT 101)

* Filed herewith.

** Furnished herewith.

SIGNATURES

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

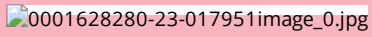
Cumberland Pharmaceuticals Inc.

Date: May 12, August 11, 2023

By: /s/ John Hamm

John Hamm

Chief Financial Officer and Duly Authorized Officer



AMENDMENT NUMBER 3

TO THE CUMBERLAND PHARMACEUTICALS INC.

AMENDED AND RESTATED

March 9, 2023 2007 LONG-TERM INCENTIVE COMPENSATION PLAN

Mr. A.J. Kazimi
1600 West End Avenue, Suite 1300
Nashville, TN 37203

Re: Employment of AJ Kazimi as Chief Executive Officer by Cumberland Pharmaceuticals Inc.

Dear AJ,

Effective January 1, 2023 **WHEREAS**, this letter agreement (the "Agreement") will evidence the terms and conditions under which you will be employed by Cumberland Pharmaceuticals Inc. (the "Company") In consideration, a corporation organized under the laws of your appointment Tennessee, originally adopted the Cumberland Pharmaceuticals Inc. 2007 Long-Term Incentive Compensation Plan on April 18, 2007, amended and restated by that certain amended and restated 2007 Long-Term Incentive Compensation Plan, effective as Chief Executive Officer of April 17, 2012 (the "Plan");

WHEREAS, under Section 12 of the Company, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Compensation. The Company agrees to compensate you as follows:

(a) The Company agrees to pay you on a salary basis for services performed based on an annual rate of six hundred thirty-five thousand dollars (\$675,000.00), payable in arrears in equal monthly installments on the 1st day of each calendar month of 2023. For each year, thereafter, you will be paid on a salary basis for services performed based on an annual rate determined by the Company in its sole discretion; provided, however, that any obligation to make payments under this Section 1(a) will cease upon termination of your employment for any reason. Notwithstanding the foregoing, nothing in this Section 1(a) alters or is intended to alter the at-will nature of your employment as described in Section 3 of this Agreement.

(b) You will be eligible to participate in any Company-wide employee benefits as approved by the Board of Directors. The terms of your eligibility and participation will be governed by the provisions of the employee benefit plans, as such plans may be amended from time to time in the discretion of the Company's Board of Directors.

(c) You may be eligible for any Company bonus program, based upon performance in meeting your individual objectives and the Company's overall performance, both as determined and approved by the Board of Directors of the Company. Any such bonus will be discretionary and will be subject to the terms of the applicable bonus program, the terms of which program may be modified from year to year in the sole discretion of the Company's Board of Directors.

(d) You will receive a grant of Cumberland Pharmaceuticals common stock, pursuant to a stock options agreement (SOA). Such shares will be subject to the SOA and the terms set forth in the incentive compensation plan under which they are awarded. You may, at the Company's sole discretion, receive additional awards of Company equity, which will be subject to their designated agreements and the incentive compensation plans under which they are awarded.

(e) Except as set forth in Section 2, the Company shall not be liable to you for any expense incurred by you unless you receive the Company's prior written consent to reimburse you for such expense.

2. **Additional Payments.** During the term hereof, you shall be entitled to receive prompt reimbursement for all reasonable and documented expenses incurred in the performance of services in accordance with the expense reimbursement policy of the Company. Such reimbursement policy shall require adequate documentation by you of the expenses and payment by the Company of such amounts shall be made within a reasonable period after the close of the year in which the expenses were incurred.

3. **Employment at Will.** This Agreement is not intended to and shall not be understood in any manner as affecting or modifying the at-will status of your employment with the Company. As an at-will employee either you or the Company may terminate the employment relationship at any time with or without cause or notice. The obligations of Sections 4, 5, 6, 7, 8, 10, 11 and 12 herein shall survive the termination of the employment relationship or of this Agreement.

4. **Confidentiality.** All knowledge and information, not already available to the public, which you acquire, have acquired, or will acquire in the course of your employment with the Company with respect to the Company's business, work methods, or pending regulatory matters, or other Company matters that are treated by the Company as confidential, shall be regarded by you as trade secrets, whether or not they are classifiable legally as trade secrets, and shall be treated by you as strictly confidential. Such knowledge and information shall not either directly or indirectly be used, disclosed, or made accessible to anyone by you for any purpose, except in the ordinary course of the Company's business under circumstances in which you are authorized to use or disclose such information. No disclosures of such confidential information shall be made outside of those you are authorized to make in the regular and ordinary course of your duties unless and until you receive prior written permission of Plan, the Board of Directors of the Company to make such disclosure.

5. **Discoveries and Improvements.** During (the "Board") may, at any time, amend the time Plan as permitted by applicable statutes, except that you are employed by it may not revoke or alter the Company, all confidential information, trade secrets, or proprietary information and all other discoveries, inventions, software programs, processes, methods and improvements that are conceived, developed, or otherwise made by you, alone or with others, that relate Plan in any way a manner unfavorable to the Company's present grantees of any Incentives awarded under the Plan or planned business any Incentives then outstanding, nor may the Board amend the Plan without shareholder approval if such approval is required by any applicable law or products (collectively regulation;

WHEREAS, the "Developments"), whether or not patentable or subject to copyright protection and whether or not reduced to tangible form or reduced to practice, shall be the sole property of the Company. You agree to disclose all Developments promptly, fully and in writing to the Company. You agree to keep and maintain

adequate and current dated and witnessed written records of all such Developments, in the form of notes, sketches, drawings, or reports, which records shall be promptly submitted. Board has determined that it is advantageous to the Company and shall be and remain to amend the property Plan to allow 750,000 additional shares of the Company at all times. You agree to assign, and hereby do assign, to, the Company all your right, title and interest throughout the world in and to all Developments. You agree that all Developments shall constitute "Works for Hire" (as such are defined under the U.S. Copyright Laws) and hereby assign to the Company all copyrights, patents and other proprietary rights you may have in any Developments without any obligation on the part Stock of the Company to pay royalties or any other consideration to you be reserved for such Developments.

issuance under the Plan; and

6. **WHEREAS** Publication. All documents, capitalized terms used and other writings produced by you during the period of your employment, which relate to work you are doing or have done for the Company or to the business of the Company or its affiliates, shall belong to the Company. You will not publish outside of the Company any such writing without the prior written consent of the Board of Directors of the Company. You will, without further compensation, execute at any time (whether or not you are still employed by the Company) all documents requested of you relating to the protection of such rights, including the assignment of such rights to the Company.

7. **Litigation.** You shall notify the Company within three business days if no longer employed and immediately if still employed by the Company if you are contacted by any person relating to any claim or litigation against the Company. You shall not communicate in any manner with any person related to any claim or litigation against the Company without the prior consent of the Board of Directors of the Company unless compelled to do so by law.

8. **Competition.** For so long as you are employed by the Company or any Affiliate (as defined below) and for a period of one year after you cease to be employed by the Company or any Affiliate, you shall not, directly or indirectly, engage in any work or other activity--whether as owner, stockholder, partner, officer, consultant, or otherwise--involving a trademark, product, or process that, in the opinion of the Company's Chief Executive Officer, is similar to a trademark, product or process on which you worked for the Company (or any Affiliate) or obtained knowledge about while working for the Company at any time during the period of employment, if such work or other activity is then, or reasonably expected to become, competitive with that of the Company (or any Affiliate). The restriction in the preceding sentence shall not apply if you have disclosed to the Company in writing all the known facts relating to such work or activity and have received a release in writing from the Board of Directors of the Company allowing you to engage in such work or activity. The Company's Chief Executive Officer herein shall have sole discretion to determine whether your work or activity for another employer involves trademarks, products, or processes that are similar to trademarks, products, or processes that you worked on for the Company. Ownership by you of five percent (5%) or less of the outstanding shares of stock of any company either (i) listed on a national securities exchange, or (ii) having at least one hundred (100) stockholders shall not make you a "stockholder" within the meaning of that term as used in this paragraph. For one year after you cease to work for the Company, you will not engage in any work or activity that will cause you to inevitably disclose to anyone not employed by the Company (or an Affiliate) any trade secret

or confidential information that belongs to the Company or one of its Affiliates. Nothing in this paragraph shall limit the rights or remedies of the Company arising, directly or indirectly, from such competitive employment, including, without limitation, claims based upon breach of fiduciary duty, misappropriation, or theft of confidential information. The term "Affiliate" shall mean the Company and any entity controlling, controlled by, or under common control with the Company.

9. **Conflicting Contracts.** You represent and warrant that you are not now under any obligation resulting from any contract or arrangement, to any person, firm, or corporation, which is inconsistent or in conflict with this Agreement. Likewise you represent and warrant that you are not now under any obligation resulting from any contract or arrangement to any person, firm, or corporation which would prevent, limit, or impair in any way the performance by you of your obligations to the Company.

10. **Solicitation.** After you cease to be employed by the Company (or a Company affiliate):

(a) You agree not to solicit, directly or indirectly, business related to the development or sales of pharmaceutical products from any entity, organization, or person which is contracted with the Company, which has been doing business with the Company or from which the Company was soliciting at the time of your termination, or a firm which you knew or had reason to know that the Company was going to solicit business at the time you ceased to be employed by the Company. The restriction meanings set forth in the preceding sentence shall not apply if you have disclosed to Plan.

NOW, THEREFORE, the Company in writing all the known facts relating to such solicitation and have received a release in writing from the Board of Directors Plan is hereby amended as follows:

Section 6(a) of the Company Plan is hereby stricken in its entirety and replaced with the following: "Maximum Shares. Subject to engage adjustment as provided in such solicitation, this Section 6, there is hereby reserved for issuance under the Plan up to 3,150,000 shares of Stock of the Company"

(b) You agree not to solicit, recruit, hire, or assist Except as expressly set forth in this amendment, all other terms and conditions set forth in the hiring of any employee of the Company to work for you or another person, firm, corporation, or business.

11. **Return of Documents.** Upon termination of your employment for any reason, you shall immediately return to the Company all documents and things belonging to the Company. This includes, but is not limited to, trade secrets, confidential information, knowledge, data or know-how, and software containing such information, whether or not the documents are marked "Confidential."

12. **Remedies.** You acknowledge that in the event of breach of this Agreement by you, actual damages to the Company will be impossible to calculate, the Company's remedies at law will be inadequate, and the Company will suffer irreparable harm. Therefore, you agree that any of the covenants contained in this Agreement may be specifically enforced through injunctive relief, but such right to injunctive relief shall not preclude the Company from other remedies which may be available to it. You further agree that should you fail to keep any of the promises made by you in this Agreement, or any way violate this Agreement, the Company shall be entitled to recover all monies the Company is required to spend, including attorneys' fees, to enforce the provisions of this Agreement.

13. **Best Efforts and Conflicts of Interest:** You are hired with the understanding that Cumberland is your sole employer and you will provide a full-time work effort. You agree to devote your entire professional and business-related time and best efforts to the services required of

you by the express and implicit terms of this Agreement, to the reasonable satisfaction of Cumberland in its sole and complete discretion. Engaging in activities outside of work that create a conflict of interest, or detract from your ability to perform your assigned responsibilities or meet your defined goals and objectives with Cumberland, is a problem and may lead to disciplinary action up to and including termination of employment. If you believe that you are potentially involved in a situation that could create a conflict of interest and affect your ability to adequately perform your job with Cumberland, you should inform your direct supervisor and Cumberland's Human Resources Department immediately.

14. Standards of Business Conduct and Ethics. Cumberland's commitment to a culture of integrity, ethics and compliance with the law is comprised in this policy, which will be provided to you as part of the conditions of your employment. You will have the opportunity to read, discuss and understand this policy prior to accepting and signing its Letter of Agreement.

15. Debarment. You represent and warrant that you have not been debarred and will notify the Company immediately if you are debarred, pursuant to subsection 306(a) or 306(b) of the Federal Food, Drug, and Cosmetic Act.

16. Notice. Any notice required or permitted to be given under this Agreement shall be sufficient if in writing and if sent by registered or certified mail to your residence or to the Company's principal office in the case of the Company.

17. Waiver. The waiver by either party of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach.

18. Entire Agreement. This Agreement contains the entire agreement of the parties and may not be changed orally, but only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification, extension, or discharge is sought.

19. Governance. This Agreement shall be governed by the laws of the State of Tennessee. Any dispute arising out of this Agreement shall be resolved, at the Company's sole option, by courts sitting in Nashville, Tennessee, and you waive any objection to such venue.

20. Enforceability. In the event that any provision of this Agreement shall be held by a court to be unenforceable, such provision will be enforced to the maximum extent permissible, and the remaining portions of this Agreement **Plan** shall remain in full force and effect.

21. Survival. Notwithstanding any termination of your employment, this Agreement shall survive and remain in effect in accordance with its terms.

###

This letter agreement may be signed in one or more counterparts, each of which shall be an original and all of which will constitute one and **IN WITNESS WHEREOF**, the same instrument.

Sincerely yours,

CUMBERLAND PHARMACEUTICALS INC.

Stephanie Smith

By: Stephanie Smith, MBA, HRM
HR Manager

Accepted as to all terms and conditions.
as undersigned Corporate Secretary of the 9th day of March 2023:

/s/ A.J. Kazimi

A.J. Kazimi

March 9, 2023

James "Jim" Herman
430 Brentwood Oaks Dr
Nashville, TN 37221

Re: Employment of Jim Herman Executive Vice President National Accounts & Chief Compliance Officer as by Cumberland Pharmaceuticals Inc.

Dear Jim,

Effective January 1, 2023, this letter agreement (the "Agreement") will evidence Company hereby certifies that the terms and conditions under which you will be employed by foregoing Amendment Number 3 to the Cumberland Pharmaceuticals Inc. (the "Company") In consideration of your appointment as *Executive Vice President National Accounts & Chief Compliance Officer* the Company, Amended and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Compensation. The Company agrees to compensate you as follows:

(a) The Company agrees to pay you on a salary basis for services performed based on an annual rate of three hundred ten thousand (\$310,000) payable in arrears in equal monthly installments on the 1st day of each calendar month of 2023. For each year, thereafter, you will be paid on a salary basis for services performed based on an annual rate determined by the Company in its sole discretion; provided, however, that any obligation to make payments under this Section 1(a) will cease upon termination of your employment for any reason. Notwithstanding the foregoing, nothing in this Section 1(a) alters or is intended to alter the at-will nature of your employment as described in Section 3 of this Agreement.

(b) You will be eligible to participate in any Company-wide employee benefits as approved by the Board of Directors. The terms of your eligibility and participation will be governed by the provisions of the employee benefit plans, as such plans may be amended from time to time in the discretion of the Company's Board of Directors.

(c) You may be eligible for any Company bonus program, based upon performance in meeting your individual objectives and the Company's overall performance, both as determined and Restated 2007 Long-Term Incentive Compensation Plan was (i) approved by the Board of Directors and (ii) approved by a majority of the Company. Any such bonus will be discretionary and will be subject to the terms holders of the applicable bonus program, the terms of which program may be modified from year to year in the sole discretion all of the Company's Board of Directors, outstanding common and preferred stock.

Dated: March 8, 2023

(d) You will receive a grant of Cumberland Pharmaceuticals common stock, pursuant to a stock options agreement (SOA). Such shares will be subject to the SOA and the terms set forth in the incentive compensation plan under which they are awarded. You may, at the Company's sole discretion, receive additional awards of Company equity, which will be subject to their designated agreements and the incentive compensation plans under which they are awarded. /s/ Jean W. Marstiller

Jean W. Marstiller

(e) Except as set forth in Section 2, the Company shall not be liable to you for any expense incurred by you unless you receive the Company's prior written consent to reimburse you for such expense.

2. **Additional Payments.** During the term hereof, you shall be entitled to receive prompt reimbursement for all reasonable and documented expenses incurred in the performance of services in accordance with the expense reimbursement policy of the Company. Such reimbursement policy shall require adequate documentation by you of the expenses and payment by the Company of such amounts shall be made within a reasonable period after the close of the year in which the expenses were incurred.

3. **Employment at Will.** This Agreement is not intended to and shall not be understood in any manner as affecting or modifying the at-will status of your employment with the Company. As an at-will employee either you or the Company may terminate the employment relationship at any time with or without cause or notice. The obligations of Sections 4, 5, 6, 7, 8, 10, 11 and 12 herein shall survive the termination of the employment relationship or of this Agreement.

4. **Confidentiality.** All knowledge and information, not already available to the public, which you acquire, have acquired, or will acquire in the course of your employment with the Company with respect to the Company's business, work methods, or pending regulatory matters, or other Company matters that are treated by the Company as confidential, shall be regarded by you as trade secrets, whether or not they are classifiable legally as trade secrets, and shall be treated by you as strictly confidential. Such knowledge and information shall not either directly or indirectly be used, disclosed, or made accessible to anyone by you for any purpose, except in the ordinary course of the Company's business when you are authorized to use or disclose such information. No disclosures of such confidential information shall be made outside of those you are authorized to make in the regular and ordinary course of your duties unless and until you receive prior written permission of the Board of Directors of the Company to make such disclosure.

5. **Discoveries and Improvements.** During the time that you are employed by the Company, all confidential information, trade secrets, or proprietary information and all other discoveries, inventions, software programs, processes, methods and improvements that are conceived, developed, or otherwise made by you, alone or with others, that relate in any way to the Company's present or planned business or products (collectively the "Developments"), whether or not patentable or subject to copyright protection and whether or not reduced to tangible form or reduced to practice, shall be the sole property of the Company. You agree to disclose all Developments promptly, fully and in writing to the Company. You agree to keep and maintain adequate and current dated and witnessed written records of all such Developments, in the form of notes, sketches, drawings, or reports, which records shall be promptly submitted to the Company and shall be always and remain the property of the Company. You agree to assign, and hereby do assign, to, the Company all your right, title, and interest throughout the world in and to all Developments. You agree that all Developments shall constitute "Works for Hire" (as such are defined under the U.S. Copyright Laws) and hereby assign to the Company all copyrights, patents, and other proprietary rights you may have in any Developments without any obligation on the part of the Company to pay royalties or any other consideration to you for such Developments.

6. **Publication.** All documents and other writings produced by you during the period of your employment, which relate to work you are doing or have done for the Company or to the business of the Company or its affiliates, shall belong to the Company. You will not publish outside of the Company any such writing without the prior written consent of the Board of Directors of the Company. You will, without further compensation, execute at any time (whether or not you are still employed by the Company) all documents requested of you relating to the protection of such rights, including the assignment of such rights to the Company.

7. Litigation. You shall notify the Company within three business days if no longer employed and immediately if still employed by the Company if you are contacted by any person

relating to any claim or litigation against the Company. You shall not communicate in any manner with any person related to any claim or litigation against the Company without the prior consent of the Board of Directors of the Company unless compelled to do so by law.

8. Competition. For so long as you are employed by the Company or any Affiliate (as defined below) and for a period of one year after you cease to be employed by the Company or any Affiliate, you shall not, directly or indirectly, engage in any work or other activity--whether as owner, stockholder, partner, officer, consultant, or otherwise--involving a trademark, product, or process that, in the opinion of the Company's President, is similar to a trademark, product or process on which you worked for the Company (or any Affiliate) or obtained knowledge about while working for the Company at any time during the period of employment, if such work or other activity is then, or reasonably expected to become, competitive with that of the Company (or any Affiliate). The restriction in the preceding sentence shall not apply if you have disclosed to the Company in writing all the known facts relating to such work or activity and have received a release in writing from the Board of Directors of the Company allowing you to engage in such work or activity. The Company's President shall have sole discretion to determine whether your work or activity for another employer involves trademarks, products, or processes that are similar to trademarks, products, or processes that you worked on for the Company. Ownership by you of five percent (5%) or less of the outstanding shares of stock of any company either (i) listed on a national securities exchange, or (ii) having at least one hundred (100) stockholders shall not make you a "stockholder" within the meaning of that term as used in this paragraph. For one year after you cease to work for the Company, you will not engage in any work or activity that will cause you to inevitably disclose to anyone not employed by the Company (or an Affiliate) any trade secret or confidential information that belongs to the Company or one of its Affiliates. Nothing in this paragraph shall limit the rights or remedies of the Company arising, directly or indirectly, from such competitive employment, including, without limitation, claims based upon breach of fiduciary duty, misappropriation, or theft of confidential information. The term "Affiliate" shall mean the Company and any entity controlling, controlled by, or under common control with the Company.

9. Conflicting Contracts. You represent and warrant that you are not now under any obligation resulting from any contract or arrangement to any person, firm, or corporation, which is inconsistent or in conflict with this Agreement. Likewise, you represent and warrant that you are not now under any obligation resulting from any contract or arrangement to any person, firm, or corporation which would prevent, limit, or impair in any way the performance by you of your obligations to the Company.

10. Solicitation. For a period of one year after you cease to be employed by the Company (or a Company affiliate):

(a) You agree not to solicit, directly or indirectly, business related to the development or sales of pharmaceutical products from any entity, organization, or person which is contracted with the Company, which has been doing business with the Company or from which the Company was soliciting at the time of your termination, or a firm which you knew or had reason to know that the Company was going to solicit business at the time you ceased to be employed by the Company. The restriction set forth in the preceding sentence shall not apply if you have disclosed to the Company in writing all the known facts relating to such solicitation and have received a release in writing from the Board of Directors of the Company to engage in such solicitation.

(b) You agree not to solicit, recruit, hire, or assist in the hiring of any employee of the Company to work for you or another person, firm, corporation, or business in competition with, or reasonably likely to become in competition with, the Company.

11. Return of Documents. Upon termination of your employment for any reason, you shall immediately return to the Company all documents and things belonging to the Company. This includes, but is not limited to, trade secrets, confidential information, knowledge, data or know-how, and software containing such information, whether or not the documents are marked "Confidential."

12. Remedies. You acknowledge that in the event of breach of this Agreement by you, actual damages to the Company will be impossible to calculate, the Company's remedies at law will be inadequate, and the Company will suffer irreparable harm. Therefore, you agree that any of the covenants contained in this Agreement may be specifically enforced through injunctive relief, but such right to injunctive relief shall not preclude the Company from other remedies which may be available to it. You further agree that should you fail to keep any of the promises made by you in this Agreement, or any way violate this Agreement, the Company shall be entitled to recover all monies the Company is required to spend, including attorneys' fees, to enforce the provisions of this Agreement.

13. Best Efforts and Conflicts of Interest: You are hired with the understanding that Cumberland is your sole employer, and you will provide a full-time work effort. You agree to devote your entire professional and business-related time and best efforts to the services required of you by the express and implicit terms of this Agreement, to the reasonable satisfaction of Cumberland in its sole and complete discretion. Engaging in activities outside of work that create a conflict of interest or detract from your ability to perform your assigned responsibilities or meet your defined goals and objectives with Cumberland, is a problem and may lead to disciplinary action up to and including termination of employment. If you believe that you are potentially involved in a situation that could create a conflict of interest and affect your ability to adequately perform your job with Cumberland, you should inform your direct supervisor and Cumberland's Human Resources Department immediately.

14. Debarment. You represent and warrant that you have not been debarred and will notify the Company immediately if you are debarred, pursuant to subsection 306(a) or 306(b) of the Federal Food, Drug, and Cosmetic Act.

15. Notice. Any notice required or permitted to be given under this Agreement shall be sufficient if in writing and if sent by registered or certified mail to your residence or to the Company's principal office in the case of the Company.

16. Waiver. The waiver by either party of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach.

17. Entire Agreement. This Agreement contains the entire agreement of the parties and may not be changed orally, but only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification, extension, or discharge is sought.

18. Governance. This Agreement shall be governed by the laws of the State of Tennessee. Any dispute arising out of this Agreement shall be resolved, at the Company's sole option, by courts sitting in Nashville, Tennessee, and you waive any objection to such venue.

19. Enforceability. If any provision of this Agreement shall be held by a court to be unenforceable, such provision will be enforced to the maximum extent permissible, and the remaining portions of this Agreement shall remain in full force and effect.

20. Survival. Notwithstanding any termination of your employment, this Agreement shall survive and remain in effect in accordance with its terms.

####

This letter agreement may be signed in one or more counterparts, each of which shall be an original and all of which will constitute one and the same instrument.

Sincerely yours,

CUMBERLAND PHARMACEUTICALS INC.

By: A.J. Kazimi

Chief Executive Officer

Accepted as to all terms and conditions.
as of the 9th of March 2023:

/s/ Jim Herman

James "Jim" Herman

March 9, 2023

Todd Anthony
702 Meeting Street
Franklin, TN 37064

Re: Employment of Todd Anthony Vice President of Organizational Development as by Cumberland Pharmaceuticals Inc.

Dear Todd,

Effective January 1, 2023, this letter agreement (the "Agreement") will evidence the terms and conditions under which you will be employed by Cumberland Pharmaceuticals Inc. (the "Company") In consideration of your appointment as *Vice President of Organizational Development* the Company, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Compensation. The Company agrees to compensate you as follows:

(a) The Company agrees to pay you on a salary basis for services performed based on an annual rate of two hundred fifty-two thousand five hundred (\$272,500.00), payable in arrears in equal monthly installments on the 1st day of each calendar month of 2023. For each year, thereafter, you will be paid on a salary basis for services performed based on an annual rate determined by the Company in its sole discretion; provided, however, that any obligation to make payments under this Section 1(a) will cease upon termination of your employment for any reason. Notwithstanding the foregoing, nothing in this Section 1(a) alters or is intended to alter the at-will nature of your employment as described in Section 3 of this Agreement.

(b) You will be eligible to participate in any Company-wide employee benefits as approved by the Board of Directors. The terms of your eligibility and participation will be governed by the provisions of the employee benefit plans, as such plans may be amended from time to time in the discretion of the Company's Board of Directors.

(c) You may be eligible for any Company bonus program, based upon performance in meeting your individual objectives and the Company's overall performance, both as determined and approved by the Board of Directors of the Company. Any such bonus will be discretionary and will be subject to the terms of the applicable bonus program, the terms of which program may be modified from year to year in the sole discretion of the Company's Board of Directors.

(d) You will receive a grant of Cumberland Pharmaceuticals common stock, pursuant to a stock options agreement (SOA). Such shares will be subject to the SOA and the terms set forth in the incentive compensation plan under which they are awarded. You may, at the Company's

sole discretion, receive additional awards of Company equity, which will be subject to their designated agreements and the incentive compensation plans under which they are awarded.

(e) Except as set forth in Section 2, the Company shall not be liable to you for any expense incurred by you unless you receive the Company's prior written consent to reimburse you for such expense.

2. **Additional Payments.** During the term hereof, you shall be entitled to receive prompt reimbursement for all reasonable and documented expenses incurred in the performance of services in accordance with the expense reimbursement policy of the Company. Such reimbursement policy shall require adequate documentation by you of the expenses and payment by the Company of such amounts shall be made within a reasonable period after the close of the year in which the expenses were incurred.

3. **Employment at Will.** This Agreement is not intended to and shall not be understood in any manner as affecting or modifying the at-will status of your employment with the Company. As an at-will employee either you or the Company may terminate the employment relationship at any time with or without cause or notice. The obligations of Sections 4, 5, 6, 7, 8, 10, 11 and 12 herein shall survive the termination of the employment relationship or of this Agreement.

4. **Confidentiality.** All knowledge and information, not already available to the public, which you acquire, have acquired, or will acquire in the course of your employment with the Company with respect to the Company's business, work methods, or pending regulatory matters, or other Company matters that are treated by the Company as confidential, shall be regarded by you as trade secrets, whether or not they are classifiable legally as trade secrets, and shall be treated by you as strictly confidential. Such knowledge and information shall not either directly or indirectly be used, disclosed, or made accessible to anyone by you for any purpose, except in the ordinary course of the Company's business when you are authorized to use or disclose such information. No disclosures of such confidential information shall be made outside of those you are authorized to make in the regular and ordinary course of your duties unless and until you receive prior written permission of the Board of Directors of the Company to make such disclosure.

5. **Discoveries and Improvements.** During the time that you are employed by the Company, all confidential information, trade secrets, or proprietary information and all other discoveries, inventions, software programs, processes, methods and improvements that are conceived, developed, or otherwise made by you, alone or with others, that relate in any way to the Company's present or planned business or products (collectively the "Developments"), whether or not patentable or subject to copyright protection and whether or not reduced to tangible form or reduced to practice, shall be the sole property of the Company. You agree to disclose all Developments promptly, fully and in writing to the Company. You agree to keep and maintain adequate and current dated and witnessed written records of all such Developments, in the form of notes, sketches, drawings, or reports, which records shall be promptly submitted to the Company and shall be always and remain the property of the Company. You agree to assign, and hereby do assign, to, the Company all your right, title, and interest throughout the world in and to all Developments. You agree that all Developments shall constitute "Works for Hire" (as such are defined under the U.S. Copyright Laws) and hereby assign to the Company all copyrights, patents, and other proprietary rights you may have in any Developments without any obligation on the part of the Company to pay royalties or any other consideration to you for such Developments.

6. **Publication.** All documents and other writings produced by you during the period of your employment, which relate to work you are doing or have done for the Company or to the business of the Company or its affiliates, shall belong to the Company. You will not publish outside of the Company any such writing without the prior written consent of the Board of Directors of the Company. You will, without further compensation, execute at any time (whether or not you are still employed by the Company) all documents requested of you relating to the protection of such rights, including the assignment of such rights to the Company.

7. **Litigation.** You shall notify the Company within three business days if no longer employed and immediately if still employed by the Company if you are contacted by any person

relating to any claim or litigation against the Company. You shall not communicate in any manner with any person related to any claim or litigation against the Company without the prior consent of the Board of Directors of the Company unless compelled to do so by law.

8. **Competition.** For so long as you are employed by the Company or any Affiliate (as defined below) and for a period of one year after you cease to be employed by the Company or any Affiliate, you shall not, directly or indirectly, engage in any work or other activity--whether as owner, stockholder, partner, officer, consultant, or otherwise--involving a trademark, product, or process that, in the opinion of the Company's President, is similar to a trademark, product or process on which you worked for the Company (or any Affiliate) or obtained knowledge about while working for the Company at any time during the period of employment, if such work or other activity is then, or reasonably expected to become, competitive with that of the Company (or any Affiliate). The restriction in the preceding sentence shall not apply if you have disclosed to the Company in writing all the known facts relating to such work or activity and have received a release in writing from the Board of Directors of the Company allowing you to engage in such work or activity. The Company's President shall have sole discretion to determine whether your work or activity for another employer involves trademarks, products, or processes that are similar to trademarks, products, or processes that you worked on for the Company. Ownership by you of five percent (5%) or less of the outstanding shares of stock of any company either (i) listed on a national securities exchange, or (ii) having at least one hundred (100) stockholders shall not make you a "stockholder" within the meaning of that term as used in this paragraph. For one year after you cease to work for the Company, you will not engage in any work or activity that will cause you to inevitably disclose to anyone not employed by the Company (or an Affiliate) any trade secret or confidential information that belongs to the Company or one of its Affiliates. Nothing in this paragraph shall limit the rights or remedies of the Company arising, directly or indirectly, from such competitive employment, including, without limitation, claims based upon breach of fiduciary duty, misappropriation, or theft of confidential information. The term "Affiliate" shall mean the Company and any entity controlling, controlled by, or under common control with the Company.

9. **Conflicting Contracts.** You represent and warrant that you are not now under any obligation resulting from any contract or arrangement to any person, firm, or corporation, which is inconsistent or in conflict with this Agreement. Likewise, you represent and warrant that you are not now under any obligation resulting from any contract or arrangement to any person, firm, or corporation which would prevent, limit, or impair in any way the performance by you of your obligations to the Company.

10. **Solicitation.** For a period of one year after you cease to be employed by the Company (or a Company affiliate):

(a) You agree not to solicit, directly or indirectly, business related to the development or sales of pharmaceutical products from any entity, organization, or person which is contracted with the Company, which has been doing business with the Company or from which the Company was soliciting at the time of your termination, or a firm which you knew or had reason to know that the Company was going to solicit business at the time you ceased to be employed by the Company. The restriction set forth in the preceding sentence shall not apply if you have disclosed to the Company in writing all the known facts relating to such solicitation and have received a release in writing from the Board of Directors of the Company to engage in such solicitation.

(b) You agree not to solicit, recruit, hire, or assist in the hiring of any employee of the Company to work for you or another person, firm, corporation, or business in competition with, or reasonably likely to become in competition with, the Company.

11. **Return of Documents.** Upon termination of your employment for any reason, you shall immediately return to the Company all documents and things belonging to the Company. This includes, but is not limited to, trade secrets, confidential information, knowledge, data or know-how, and software containing such information, whether or not the documents are marked "Confidential."

12. Remedies. You acknowledge that in the event of breach of this Agreement by you, actual damages to the Company will be impossible to calculate, the Company's remedies at law will be inadequate, and the Company will suffer irreparable harm. Therefore, you agree that any of the covenants contained in this Agreement may be specifically enforced through injunctive relief, but such right to injunctive relief shall not preclude the Company from other remedies which may be available to it. You further agree that should you fail to keep any of the promises made by you in this Agreement, or any way violate this Agreement, the Company shall be entitled to recover all monies the Company is required to spend, including attorneys' fees, to enforce the provisions of this Agreement.

13. Best Efforts and Conflicts of Interest: You are hired with the understanding that Cumberland is your sole employer, and you will provide a full-time work effort. You agree to devote your entire professional and business-related time and best efforts to the services required of you by the express and implicit terms of this Agreement, to the reasonable satisfaction of Cumberland in its sole and complete discretion. Engaging in activities outside of work that create a conflict of interest or detract from your ability to perform your assigned responsibilities or meet your defined goals and objectives with Cumberland, is a problem and may lead to disciplinary action up to and including termination of employment. If you believe that you are potentially involved in a situation that could create a conflict of interest and affect your ability to adequately perform your job with Cumberland, you should inform your direct supervisor and Cumberland's Human Resources Department immediately.

14. Debarment. You represent and warrant that you have not been debarred and will notify the Company immediately if you are debarred, pursuant to subsection 306(a) or 306(b) of the Federal Food, Drug, and Cosmetic Act.

15. Notice. Any notice required or permitted to be given under this Agreement shall be sufficient if in writing and if sent by registered or certified mail to your residence or to the Company's principal office in the case of the Company.

16. Waiver. The waiver by either party of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach.

17. Entire Agreement. This Agreement contains the entire agreement of the parties and may not be changed orally, but only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification, extension, or discharge is sought.

18. Governance. This Agreement shall be governed by the laws of the State of Tennessee. Any dispute arising out of this Agreement shall be resolved, at the Company's sole option, by courts sitting in Nashville, Tennessee, and you waive any objection to such venue.

19. Enforceability. If any provision of this Agreement shall be held by a court to be unenforceable, such provision will be enforced to the maximum extent permissible, and the remaining portions of this Agreement shall remain in full force and effect.

20. Survival. Notwithstanding any termination of your employment, this Agreement shall survive and remain in effect in accordance with its terms.

####

This letter agreement may be signed in one or more counterparts, each of which shall be an original and all of which will constitute one and the same instrument.

Sincerely yours,

CUMBERLAND PHARMACEUTICALS INC.

By: A.J. Kazimi

Chief Executive Officer

Accepted as to all terms and conditions,
as of the 9th of March 2023:

/s/ Todd Anthony

Todd Anthony

March 9, 2023

Chris Bitterman
6440 Halcyon Garden Drive
Alpharetta, GA 37090

Re: Employment of Chris Bitterman, Vice President of Sales and Marketing as by Cumberland Pharmaceuticals Inc.

Dear Chris,

Effective January 1, 2023, this letter agreement (the "Agreement") will evidence the terms and conditions under which you will be employed by Cumberland Pharmaceuticals Inc. (the "Company") In consideration of your appointment as *Vice President of Sales and Marketing* the Company, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Compensation. The Company agrees to compensate you as follows:

(a) The Company agrees to pay you on a salary basis for services performed based on an annual rate of two hundred fifty-eight thousand five hundred (\$258,500.00) payable in arrears in equal monthly installments on the 1st day of each calendar month of 2023. For each year, thereafter, you will be paid on a salary basis for services performed based on an annual rate determined by the Company in its sole discretion; provided, however, that any obligation to make payments under this Section 1(a) will cease upon termination of your employment for any reason. Notwithstanding the foregoing, nothing in this Section 1(a) alters or is intended to alter the at-will nature of your employment as described in Section 3 of this Agreement.

(b) You will be eligible to participate in any Company-wide employee benefits as approved by the Board of Directors. The terms of your eligibility and participation will be governed by the provisions of the employee benefit plans, as such plans may be amended from time to time in the discretion of the Company's Board of Directors.

(c) You may be eligible for any Company bonus program, based upon performance in meeting your individual objectives and the Company's overall performance, both as determined and approved by the Board of Directors of the Company. Any such bonus will be discretionary and will be subject to the terms of the applicable bonus program, the terms of which program may be modified from year to year in the sole discretion of the Company's Board of Directors.

(d) You will receive a grant of Cumberland Pharmaceuticals common stock, pursuant to a stock options agreement (SOA). Such shares will be subject to the SOA and the terms set forth in the incentive compensation plan under which they are awarded. You may, at the Company's sole discretion, receive additional awards of Company equity, which will be subject to their designated agreements and the incentive compensation plans under which they are awarded.

(e) Except as set forth in Section 2, the Company shall not be liable to you for any expense incurred by you unless you receive the Company's prior written consent to reimburse you for such expense.

2. **Additional Payments.** During the term hereof, you shall be entitled to receive prompt reimbursement for all reasonable and documented expenses incurred in the performance of services in accordance with the expense reimbursement policy of the Company. Such reimbursement policy shall require adequate documentation by you of the expenses and payment by the Company of such amounts shall be made within a reasonable period after the close of the year in which the expenses were incurred.

3. **Employment at Will.** This Agreement is not intended to and shall not be understood in any manner as affecting or modifying the at-will status of your employment with the Company. As an at-will employee either you or the Company may terminate the employment relationship at any time with or without cause or notice. The obligations of Sections 4, 5, 6, 7, 8, 10, 11 and 12 herein shall survive the termination of the employment relationship or of this Agreement.

4. **Confidentiality.** All knowledge and information, not already available to the public, which you acquire, have acquired, or will acquire in the course of your employment with the Company with respect to the Company's business, work methods, or pending regulatory matters, or other Company matters that are treated by the Company as confidential, shall be regarded by you as trade secrets, whether or not they are classifiable legally as trade secrets, and shall be treated by you as strictly confidential. Such knowledge and information shall not either directly or indirectly be used, disclosed, or made accessible to anyone by you for any purpose, except in the ordinary course of the Company's business when you are authorized to use or disclose such information. No disclosures of such confidential information shall be made outside of those you are authorized to make in the regular and ordinary course of your duties unless and until you receive prior written permission of the Board of Directors of the Company to make such disclosure.

5. **Discoveries and Improvements.** During the time that you are employed by the Company, all confidential information, trade secrets, or proprietary information and all other discoveries, inventions, software programs, processes, methods and improvements that are conceived, developed, or otherwise made by you, alone or with others, that relate in any way to the Company's present or planned business or products (collectively the "Developments"), whether or not patentable or subject to copyright protection and whether or not reduced to tangible form or reduced to practice, shall be the sole property of the Company. You agree to disclose all Developments promptly, fully and in writing to the Company. You agree to keep and maintain adequate and current dated and witnessed written records of all such Developments, in the form of notes, sketches, drawings, or reports, which records shall be promptly submitted to the Company and shall be always and remain the property of the Company. You agree to assign, and hereby do assign, to, the Company all your right, title, and interest throughout the world in and to all Developments. You agree that all Developments shall constitute "Works for Hire" (as such are defined under the U.S. Copyright Laws) and hereby assign to the Company all copyrights, patents, and other proprietary rights you may have in any Developments without any obligation on the part of the Company to pay royalties or any other consideration to you for such Developments.

6. **Publication.** All documents and other writings produced by you during the period of your employment, which relate to work you are doing or have done for the Company or to the business of the Company or its affiliates, shall belong to the Company. You will not publish outside of the Company any such writing without the prior written consent of the Board of Directors of the Company. You will, without further compensation, execute at any time (whether or not you are still employed by the Company) all documents requested of you relating to the protection of such rights, including the assignment of such rights to the Company.

7. **Litigation.** You shall notify the Company within three business days if no longer employed and immediately if still employed by the Company if you are contacted by any person

relating to any claim or litigation against the Company. You shall not communicate in any manner with any person related to any claim or litigation against the Company without the prior consent of the Board of Directors of the Company unless compelled to do so by law.

8. **Competition.** For so long as you are employed by the Company or any Affiliate (as defined below) and for a period of one year after you cease to be employed by the Company or any Affiliate, you shall not, directly or indirectly, engage in any work or other activity--whether as owner, stockholder, partner, officer, consultant, or otherwise--involving a trademark, product, or process that, in the opinion of the Company's President, is similar to a trademark, product or process on which you worked for the Company (or any Affiliate) or obtained knowledge about while working for the Company at any time during the period of employment, if such work or other activity is then, or reasonably expected to become, competitive with that of the Company (or any Affiliate). The restriction in the preceding sentence shall not apply if you have disclosed to the Company in writing all the known facts relating to such work or activity and have received a release in writing from the Board of Directors of the Company allowing you to engage in such work or activity. The Company's President shall have sole discretion to determine whether your work or activity for another employer involves trademarks, products, or processes that are similar to trademarks, products, or processes that you worked on for the Company. Ownership by you of five percent (5%) or less of the outstanding shares of stock of any company either (i) listed on a national securities exchange, or (ii) having at least one hundred (100) stockholders shall not make you a "stockholder" within the meaning of that term as used in this paragraph. For one year after you cease to work for the Company, you will not engage in any work or activity that will cause you to inevitably disclose to anyone not employed by the Company (or an Affiliate) any trade secret or confidential information that belongs to the Company or one of its Affiliates. Nothing in this paragraph shall limit the rights or remedies of the Company arising, directly or indirectly, from such competitive employment, including, without limitation, claims based upon breach of fiduciary duty, misappropriation, or theft of confidential information. The term "Affiliate" shall mean the Company and any entity controlling, controlled by, or under common control with the Company.

9. **Conflicting Contracts.** You represent and warrant that you are not now under any obligation resulting from any contract or arrangement to any person, firm, or corporation, which is inconsistent or in conflict with this Agreement. Likewise, you represent and warrant that you are not now under any obligation resulting from any contract or arrangement to any person, firm, or corporation which would prevent, limit, or impair in any way the performance by you of your obligations to the Company.

10. **Solicitation.** For a period of one year after you cease to be employed by the Company (or a Company affiliate):

(a) You agree not to solicit, directly or indirectly, business related to the development or sales of pharmaceutical products from any entity, organization, or person which is contracted with the Company, which has been doing business with the Company or from which the Company was soliciting at the time of your termination, or a firm which you knew or had reason to know that the Company was going to solicit business at the time you ceased to be employed by the Company. The restriction set forth in the preceding sentence shall not apply if you have disclosed to the Company in writing all the known facts relating to such solicitation and have received a release in writing from the Board of Directors of the Company to engage in such solicitation.

(b) You agree not to solicit, recruit, hire, or assist in the hiring of any employee of the Company to work for you or another person, firm, corporation, or business in competition with, or reasonably likely to become in competition with, the Company.

11. **Return of Documents.** Upon termination of your employment for any reason, you shall immediately return to the Company all documents and things belonging to the Company. This includes, but is not limited to, trade secrets, confidential information, knowledge, data or know-how, and software containing such information, whether or not the documents are marked "Confidential."

12. **Remedies.** You acknowledge that in the event of breach of this Agreement by you, actual damages to the Company will be impossible to calculate, the Company's remedies at law will be inadequate, and the Company will suffer irreparable harm. Therefore, you agree that any of the covenants contained in this Agreement may be specifically enforced through injunctive relief, but such right to injunctive relief shall not preclude the Company from other remedies which may be available to it. You further agree that should you fail to keep any of the promises

made by you in this Agreement, or any way violate this Agreement, the Company shall be entitled to recover all monies the Company is required to spend, including attorneys' fees, to enforce the provisions of this Agreement.

13. **Best Efforts and Conflicts of Interest:** You are hired with the understanding that Cumberland is your sole employer, and you will provide a full-time work effort. You agree to devote your entire professional and business-related time and best efforts to the services required of you by the express and implicit terms of this Agreement, to the reasonable satisfaction of Cumberland in its sole and complete discretion. Engaging in activities outside of work that create a conflict of interest or detract from your ability to perform your assigned responsibilities or meet your defined goals and objectives with Cumberland, is a problem and may lead to disciplinary action up to and including termination of employment. If you believe that you are potentially involved in a situation that could create a conflict of interest and affect your ability to adequately perform your job with Cumberland, you should inform your direct supervisor and Cumberland's Human Resources Department immediately.

14. **Debarment.** You represent and warrant that you have not been debarred and will notify the Company immediately if you are debarred, pursuant to subsection 306(a) or 306(b) of the Federal Food, Drug, and Cosmetic Act.

15. **Notice.** Any notice required or permitted to be given under this Agreement shall be sufficient if in writing and if sent by registered or certified mail to your residence or to the Company's principal office in the case of the Company.

16. **Waiver.** The waiver by either party of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach.

17. **Entire Agreement.** This Agreement contains the entire agreement of the parties and may not be changed orally, but only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification, extension, or discharge is sought.

18. **Governance.** This Agreement shall be governed by the laws of the State of Tennessee. Any dispute arising out of this Agreement shall be resolved, at the Company's sole option, by courts sitting in Nashville, Tennessee, and you waive any objection to such venue.

19. **Enforceability.** If any provision of this Agreement shall be held by a court to be unenforceable, such provision will be enforced to the maximum extent permissible, and the remaining portions of this Agreement shall remain in full force and effect.

20. **Survival.** Notwithstanding any termination of your employment, this Agreement shall survive and remain in effect in accordance with its terms.

###

This letter agreement may be signed in one or more counterparts, each of which shall be an original and all of which will constitute one and the same instrument.

Sincerely yours,

CUMBERLAND PHARMACEUTICALS INC.

By: A.J. Kazimi

Chief Executive Officer

Accepted as to all terms and conditions.
as of the 9th of March 2023:

/s/ Chris Bitterman

Chris Bitterman

March 9, 2023

John Hamm

1659 Kirkwood Place

Brentwood, TN 37216

Re: Employment of John Hamm Chief Financial Officer as by Cumberland Pharmaceuticals Inc.

Dear John,

Effective January 1, 2023, this letter agreement (the "Agreement") will evidence the terms and conditions under which you will be employed by Cumberland Pharmaceuticals Inc. (the "Company") In consideration of your appointment as *Chief Financial Officer* the Company, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Compensation. The Company agrees to compensate you as follows:

(a) The Company agrees to pay you on a salary basis for services performed based on an annual rate of two hundred and twenty-eight thousand (\$228,000.00) payable in arrears in equal monthly installments on the 1st day of each calendar month of 2023. For each year, thereafter, you will be paid on a salary basis for services performed based on an annual rate determined by the Company in its sole discretion; provided, however, that any obligation to make payments under this Section 1(a) will cease upon termination of your employment for any reason. Notwithstanding the foregoing, nothing in this Section 1(a) alters or is intended to alter the at-will nature of your employment as described in Section 3 of this Agreement.

(b) You will be eligible to participate in any Company-wide employee benefits as approved by the Board of Directors. The terms of your eligibility and participation will be governed by the provisions of the employee benefit plans, as such plans may be amended from time to time in the discretion of the Company's Board of Directors.

(c) You may be eligible for any Company bonus program, based upon performance in meeting your individual objectives and the Company's overall performance, both as determined and approved by the Board of Directors of the Company. Any such bonus will be discretionary and will be subject to the terms of the applicable bonus program, the terms of which program may be modified from year to year in the sole discretion of the Company's Board of Directors.

(d) You will receive a grant of Cumberland Pharmaceuticals common stock, pursuant to a stock options agreement (SOA). Such shares will be subject to the SOA and the terms set forth in the incentive compensation plan under which they are awarded. You may, at the Company's sole discretion, receive additional awards of Company equity, which will be subject to their designated agreements and the incentive compensation plans under which they are awarded.

(e) Except as set forth in Section 2, the Company shall not be liable to you for any expense incurred by you unless you receive the Company's prior written consent to reimburse you for such expense.

2. **Additional Payments.** During the term hereof, you shall be entitled to receive prompt reimbursement for all reasonable and documented expenses incurred in the performance of services in accordance with the expense reimbursement policy of the Company. Such reimbursement policy shall require adequate documentation by you of the expenses and payment by the Company of such amounts shall be made within a reasonable period after the close of the year in which the expenses were incurred.

3. **Employment at Will.** This Agreement is not intended to and shall not be understood in any manner as affecting or modifying the at-will status of your employment with the Company. As an at-will employee either you or the Company may terminate the employment relationship at any time with or without cause or notice. The obligations of Sections 4, 5, 6, 7, 8, 10, 11 and 12 herein shall survive the termination of the employment relationship or of this Agreement.

4. **Confidentiality.** All knowledge and information, not already available to the public, which you acquire, have acquired, or will acquire in the course of your employment with the Company with respect to the Company's business, work methods, or pending regulatory matters, or other Company matters that are treated by the Company as confidential, shall be regarded by you as trade secrets, whether or not they are classifiable legally as trade secrets, and shall be treated by you as strictly confidential. Such knowledge and information shall not either directly or indirectly be used, disclosed, or made accessible to anyone by you for any purpose, except in the ordinary course of the Company's business when you are authorized to use or disclose such information. No disclosures of such confidential information shall be made outside of those you are authorized to make in the regular and ordinary course of your duties unless and until you receive prior written permission of the Board of Directors of the Company to make such disclosure.

5. **Discoveries and Improvements.** During the time that you are employed by the Company, all confidential information, trade secrets, or proprietary information and all other discoveries, inventions, software programs, processes, methods and improvements that are conceived, developed, or otherwise made by you, alone or with others, that relate in any way to the Company's present or planned business or products (collectively the "Developments"), whether or not patentable or subject to copyright protection and whether or not reduced to tangible form or reduced to practice, shall be the sole property of the Company. You agree to disclose all Developments promptly, fully and in writing to the Company. You agree to keep and maintain adequate and current dated and witnessed written records of all such Developments, in the form of notes, sketches, drawings, or reports, which records shall be promptly submitted to the Company and shall be always and remain the property of the Company. You agree to assign, and hereby do assign, to, the Company all your right, title, and interest throughout the world in and to all Developments. You agree that all Developments shall constitute "Works for Hire" (as such are defined under the U.S. Copyright Laws) and hereby assign to the Company all copyrights, patents, and other proprietary rights you may have in any Developments without any obligation on the part of the Company to pay royalties or any other consideration to you for such Developments.

6. **Publication.** All documents and other writings produced by you during the period of your employment, which relate to work you are doing or have done for the Company or to the business of the Company or its affiliates, shall belong to the Company. You will not publish outside of the Company any such writing without the prior written consent of the Board of Directors of the Company. You will, without further compensation, execute at any time (whether or not you are still employed by the Company) all documents requested of you relating to the protection of such rights, including the assignment of such rights to the Company.

7. **Litigation.** You shall notify the Company within three business days if no longer employed and immediately if still employed by the Company if you are contacted by any person

relating to any claim or litigation against the Company. You shall not communicate in any manner with any person related to any claim or litigation against the Company without the prior consent of the Board of Directors of the Company unless compelled to do so by law.

8. **Competition.** For so long as you are employed by the Company or any Affiliate (as defined below) and for a period of one year after you cease to be employed by the Company or any Affiliate, you shall not, directly or indirectly, engage in any work or other activity--whether as

owner, stockholder, partner, officer, consultant, or otherwise--involving a trademark, product, or process that, in the opinion of the Company's President, is similar to a trademark, product or process on which you worked for the Company (or any Affiliate) or obtained knowledge about while working for the Company at any time during the period of employment, if such work or other activity is then, or reasonably expected to become, competitive with that of the Company (or any Affiliate). The restriction in the preceding sentence shall not apply if you have disclosed to the Company in writing all the known facts relating to such work or activity and have received a release in writing from the Board of Directors of the Company allowing you to engage in such work or activity. The Company's President shall have sole discretion to determine whether your work or activity for another employer involves trademarks, products, or processes that are similar to trademarks, products, or processes that you worked on for the Company. Ownership by you of five percent (5%) or less of the outstanding shares of stock of any company either (i) listed on a national securities exchange, or (ii) having at least one hundred (100) stockholders shall not make you a "stockholder" within the meaning of that term as used in this paragraph. For one year after you cease to work for the Company, you will not engage in any work or activity that will cause you to inevitably disclose to anyone not employed by the Company (or an Affiliate) any trade secret or confidential information that belongs to the Company or one of its Affiliates. Nothing in this paragraph shall limit the rights or remedies of the Company arising, directly or indirectly, from such competitive employment, including, without limitation, claims based upon breach of fiduciary duty, misappropriation, or theft of confidential information. The term "Affiliate" shall mean the Company and any entity controlling, controlled by, or under common control with the Company.

9. **Conflicting Contracts.** You represent and warrant that you are not now under any obligation resulting from any contract or arrangement to any person, firm, or corporation, which is inconsistent or in conflict with this Agreement. Likewise, you represent and warrant that you are not now under any obligation resulting from any contract or arrangement to any person, firm, or corporation which would prevent, limit, or impair in any way the performance by you of your obligations to the Company.

10. **Solicitation.** For a period of one year after you cease to be employed by the Company (or a Company affiliate):

(a) You agree not to solicit, directly or indirectly, business related to the development or sales of pharmaceutical products from any entity, organization, or person which is contracted with the Company, which has been doing business with the Company or from which the Company was soliciting at the time of your termination, or a firm which you knew or had reason to know that the Company was going to solicit business at the time you ceased to be employed by the Company. The restriction set forth in the preceding sentence shall not apply if you have disclosed to the Company in writing all the known facts relating to such solicitation and have received a release in writing from the Board of Directors of the Company to engage in such solicitation.

(b) You agree not to solicit, recruit, hire, or assist in the hiring of any employee of the Company to work for you or another person, firm, corporation, or business in competition with, or reasonably likely to become in competition with, the Company.

11. **Return of Documents.** Upon termination of your employment for any reason, you shall immediately return to the Company all documents and things belonging to the Company. This includes, but is not limited to, trade secrets, confidential information, knowledge, data or know-how, and software containing such information, whether or not the documents are marked "Confidential."

12. **Remedies.** You acknowledge that in the event of breach of this Agreement by you, actual damages to the Company will be impossible to calculate, the Company's remedies at law will be inadequate, and the Company will suffer irreparable harm. Therefore, you agree that any of the covenants contained in this Agreement may be specifically enforced through injunctive relief, but such right to injunctive relief shall not preclude the Company from other remedies which may be available to it. You further agree that should you fail to keep any of the promises made by you in this Agreement, or any way violate this Agreement, the Company shall be entitled to recover all monies the Company is required to spend, including attorneys' fees, to enforce the provisions of this Agreement.

13. **Best Efforts and Conflicts of Interest:** You are hired with the understanding that Cumberland is your sole employer, and you will provide a full-time work effort. You agree to devote your entire professional and business-related time and best efforts to the services required of you by the express and implicit terms of this Agreement, to the reasonable satisfaction of Cumberland in its sole and complete discretion.

Engaging in activities outside of work that create a conflict of interest or detract from your ability to perform your assigned responsibilities or meet your defined goals and objectives with Cumberland, is a problem and may lead to disciplinary action up to and including termination of employment. If you believe that you are potentially involved in a situation that could create a conflict of interest and affect your ability to adequately perform your job with Cumberland, you should inform your direct supervisor and Cumberland's Human Resources Department immediately.

14. Debarment. You represent and warrant that you have not been debarred and will notify the Company immediately if you are debarred, pursuant to subsection 306(a) or 306(b) of the Federal Food, Drug, and Cosmetic Act.

15. Notice. Any notice required or permitted to be given under this Agreement shall be sufficient if in writing and if sent by registered or certified mail to your residence or to the Company's principal office in the case of the Company.

16. Waiver. The waiver by either party of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach.

17. Entire Agreement. This Agreement contains the entire agreement of the parties and may not be changed orally, but only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification, extension, or discharge is sought.

18. Governance. This Agreement shall be governed by the laws of the State of Tennessee. Any dispute arising out of this Agreement shall be resolved, at the Company's sole option, by courts sitting in Nashville, Tennessee, and you waive any objection to such venue.

19. Enforceability. If any provision of this Agreement shall be held by a court to be unenforceable, such provision will be enforced to the maximum extent permissible, and the remaining portions of this Agreement shall remain in full force and effect.

20. Survival. Notwithstanding any termination of your employment, this Agreement shall survive and remain in effect in accordance with its terms.

###

This letter agreement may be signed in one or more counterparts, each of which shall be an original and all of which will constitute one and the same instrument.

Sincerely yours,

CUMBERLAND PHARMACEUTICALS INC.

By: A.J. Kazimi

Chief Executive Officer

Accepted as to all terms and conditions,
as of the 9th of March 2023:

/s/ John Hamm

John Hamm, CFO Corporate Secretary

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, A.J. Kazimi, certify that:

1. I have reviewed this Form 10-Q of Cumberland Pharmaceuticals Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 12, August 11, 2023 By:

/s/ A.J. Kazimi

A.J. Kazimi

Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, John Hamm, certify that:

1. I have reviewed this Form 10-Q of Cumberland Pharmaceuticals Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 12, August 11, 2023 By:

/s/ John Hamm

John Hamm

Chief Financial Officer

Exhibit 32.1

**CERTIFICATION OF CHIEF EXECUTIVE 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**

In connection with the Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2023 June 30, 2023 of Cumberland Pharmaceuticals Inc. (the "Company"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, A.J. Kazimi, Chief Executive Officer and John Hamm, Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. section 1350), that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ A.J. Kazimi

A.J. Kazimi

Chief Executive Officer

May 12, August 11, 2023

/s/ John Hamm

John Hamm

Chief Financial Officer

May 12, August 11, 2023

DISCLAIMER

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